

FACTORS AFFECTING NEGOTIATION PROCESS AND OUTCOMES IN
CONTINUING CHANNEL RELATIONSHIPS

BY

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To my parents.

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CONTINUING CHANNEL RELATIONSHIPS

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This dissertation describes a study of the antecedents and consequences of a retailer's long-term orientation in a negotiation situation. According to the conceptual framework proposed in this study, retailers' long-term orientation is a function of the following: the degree to which they trust vendor organizations and their representatives, their perception of vendors' long-term orientation, satisfaction with past negotiations, expectations of future interactions with vendors, and their dependence on vendors and the vendors' dependence on them. Similarly, the hypotheses make the following predictions about the consequences of long-term orientation. Long-term orientation would result in initial offers by retailers which were closer to their aspiration levels, the use of more integrative messages and problem

solving conflict resolution strategies, fewer concessions and a high level of satisfaction with outcomes.

One hundred retail buyers from six department stores and their resources provided information on their relationship and on a major negotiation conducted between them. The study was conducted in two phases: the first phase captured the retailers' long-term orientation and its antecedents and the second phase, the negotiation process and outcomes.

The results indicated that retailers' long-term orientation was affected by their perception of vendors' long-term orientation, their trust in vendors' representatives, their satisfaction with past negotiation outcomes, their expectation of future interactions with vendors, and the extent to which they depended on the vendors. When the retailers made the initial offer, the retailers' perception of the vendors' long-term orientation had a significant effect on their initial offer. When the vendors made the initial offer, vendors' initial offer was significantly related to the retailers' initial offer. Further, the retailers' initial offer was significantly related to messages sent by both parties and the level of disagreements between them. The strategy used by retailers to resolve conflicts depended on the extent of disagreement and the orientation of both parties towards developing a long-term relationship. The use of problem solving strategy resulted in the fewest concessions by both parties while

compromising strategy resulted in the largest concessions by both parties.

CHAPTER 1 INTRODUCTION

In recent years, a reduction in new market opportunities and increased global competition has forced many manufacturers to place greater emphasis on efficient internal operations. To improve their internal efficiencies, many corporate entities have reassessed their corporate functions such as distribution. This reassessment in organizations has led to a more balanced emphasis on the needs of consumer and channel intermediaries. As Stern and El-Ansary (1988) note,

Economic battles involving producers versus producers or middlemen versus middlemen will not, in the long run, determine the ultimate victors in the marketplace. Rather, the relevant unit of competition is an entire distribution system comprising an entire network of interrelated institutions and agencies. (page 27)

In essence, the competitive nature of the marketplace has forced manufacturers to achieve channel efficiencies, which in turn would provide them a sustainable competitive advantage in the marketplace. In view of the importance of channel intermediaries, management of conflicts between manufacturers and channel members has become a major task for most managers.

Need to Manage Conflicts

In a distribution channel, even though the role of each channel member is unique, there exists operational interdependence between channel members. This interdependence is necessary for the delivery of form, time, place, and possession utilities to consumers (Stern and El-Ansary 1988). In spite of this interdependence, the capabilities, expectations, perceptions, and preferences of channel members are quite different, leading to a state of latent conflict. In many situations, this latent conflict becomes overt as the channel members begin to exert their influence on each other (Etgar 1979; Firat, Tybout, and Stern 1975; Rosenberg and Stern 1971). Therefore, a central task in channel management is to resolve and manage channel conflicts (Stern and El-Ansary 1988). In fact, a survey of managers dealing with channel intermediaries has revealed that managers spend as much as one-fourth of their time on conflict management (Thomas and Schmidt 1976).

The importance of conflict management in distribution channels has generated considerable research in the marketing literature. This includes the empirical measurement of conflict (Brown and Day 1981; Rosenberg and Stern 1971), the causes of channel conflict (Cadotte and Stern 1979; Etgar 1979; Rosenberg and Stern 1971; Stern and Heskett 1969), the strategies for reducing intrachannel conflict (Stern,

Sternthal, and Craig 1973), and the relationship between power and conflict (Lusch 1976). This suggests that conflict in distribution channels is a pervasive phenomenon (Reve and Stern 1979).

Conflict in Manufacturer-Retailer Relationships

Conflict between channel members in a retailing environment occurs over numerous issues. Some of these issues are markup, terms of payment, transportation costs, delivery, advertising allowances, and markdown money. Since these issues encompass all elements of a retailing mix, a retailer's profitability can be affected by the quality and effectiveness of mechanisms employed to resolve them. In a retailing environment, strong vendor relations can help a retailer develop sustainable competitive advantage. Retailers with strong relationships with vendors often receive merchandise in short-supply, information on new and best selling products, and competitive activity. Further, these retailers receive the best allowable prices, and advertising and markdown allowances. Clearly, the importance of resolving conflicts and developing long-term relationships with vendors is crucial to the survival and profitability of a retailing organization.

Role of Negotiations in Conflict Resolution

Negotiations play a fundamental and crucial role in many marketing contexts including manufacturer-dealer and retailer-vendor relationships in a distribution channel, buyer-seller interactions in industrial buying, and family and consumer buying decisions. In many of these contexts, strategies such as diplomacy, exchange of persons, and adopting superordinate goals (Stern and El-Ansary 1988) can be employed as means for resolving conflicts. However, negotiations play a vital role in effective implementation of all these strategies. As Stern (1971) indicates, "no matter what conflict management mechanism is adopted by policy makers within a channel, resolution is always the result of bargaining--the making of commitments, offering of rewards, or threatening of punishments or deprivation--between and among the members" (page 132). Negotiation occurs in channel situations when communication is possible and when each party not only has an interest in cooperating with the other party in order to achieve a mutually beneficial agreement, but also has competing interests concerning the specific terms of that agreement (Schelling 1960). As a result many of the recent studies have focussed on bargaining behavior of channel members in conflict situations providing additional insights into interorganizational conflicts and interorganizational management (Clopton 1984; Dwyer and Walker 1981; Eliashberg

et al. 1986; McAlister, Bazerman, and Fader 1986; Neslin and Greenhalgh 1983; Schurr and Ozanne 1986).

Unresolved Issues

In spite of the recent interest in negotiation (or bargaining)¹ and its importance, most of these studies have ignored or chosen to ignore some of the key characteristics of bargaining in a distribution channel. These conceptual models have not dealt with the following issues:

1. The continuing element involved in the bargaining process.

Most conceptualizations dealing with bargaining are static, in the sense that bargaining occurs between parties who do not have a large investment in the continuation of a relationship. The distribution channel environment is different from most other bargaining settings as the relationship between channel members occurs for a substantially longer period of time and channel partners have a strong incentive to continue the partnership. This long-term, continuing aspect of channel relationship is important because of the potential benefits of coordinated actions and the high investment level needed to exploit these interdependencies. Even in conventional channels there is an emphasis on developing long-term relationships and sole

¹ Most scholars in the area of negotiations agree that both negotiations and bargaining can be used interchangeably (Pruitt 1981). A few researchers differentiate the two by using negotiations to reflect organizational bargaining and bargaining to reflect individual level bargaining. In this dissertation the two terms will be used synonymously.

sourcing of channel intermediaries. Therefore, the dynamics of such a continuing relationship suggest a need to take into account the impact of past relationships and to consider the future implications of a current negotiation.

2. The notion of multiple buyers and multiple sellers.

Most models (except the paper by McAlister, Bazerman, and Fader 1986) assume negotiations to be occurring in a bilateral monopoly (a single buyer and a single seller). However, in reality, the most common occurrence is the existence of manufacturers dealing with multiple dealers or retailers and most dealers and retailers carrying goods of more than one manufacturer. In a retailing situation, this often results in negotiations between one retailer and multiple vendors. To capture this bargaining characteristic, both laboratory experiments and field studies need to take into account the comparison level of alternatives available to the retailer. In a field study, this would entail either obtaining information from the retailer on the set of vendors being considered for the supply of a particular merchandise and their offers or capturing the effects of multiple vendors (through constructs such dependence and power imbalance) on negotiation strategy. In a laboratory experiment, this indicates the use of multiple vendors in the bargaining setting to allow a retailer an opportunity to interact with multiple vendors. The only paper which has incorporated this important bargaining characteristic is the paper by

McAlister, Bazerman, and Fader (1986). However, the notion of multiple sellers and buyers was introduced in this paper as a manipulation of the power imbalance. Future experiments should try to understand the impact of competitive offers from the entire set of vendors being considered by the retailer.

3. The relationships between individuals and their organization.

An issue in distribution channels which has been debated extensively is the use of key informants for capturing organizational characteristics. Phillips (1981) indicates that many of the paradigms used in distribution channels attempt to explain and predict the behavior of organizations or organizational subunits and not individuals. According to him, since organizational characteristics are quite different from individual characteristics, the notion of key informant reports as valid indicators of organizational characteristics is questionable. One approach suggested by Phillips (1981) would be to use informants at different levels in an organization to capture organizational level constructs. An alternative approach is to specify the levels at which the constructs operate. For example, an important construct which is used in this dissertation is trust. Trust can be specified either at an individual level or at an organizational level. Individual or interpersonal trust would be most appropriately measured from the retail buyer's viewpoint. Even from the retailer buyer's viewpoint, one should measure separately the

trust of the vendor's representative and his organization. In contrast, organizational trust may be captured through a reputation construct, where inputs from multiple informants both from within the organization and outside the organization are obtained. This suggests that there is a need in distribution channel research to clearly specify the constructs and the levels at which they operate and then develop appropriate measures.

Importance of Continuing Relationships

The focus of this dissertation is on negotiations between channel members having a continuing relationship in a retail environment. Retailers in the past, have tended to concentrate on short-term problems mainly because of intense daily activity. However, the retail environment has changed considerably due to greater intertype competition (e.g. Wal-Mart vs. Eckerd's on pharmaceutical products), growth of vertical marketing systems, changes in technology and consumer needs, and acceleration of institutional life cycles (Stern and El-Ansary 1988). This change in retailing environment has led to a greater emphasis on long-range or strategic planning. An important aspect of strategic planning is to develop a sustainable competitive advantage which can earn greater profits and higher returns on investment for retailers over the long-run. Retailers can build sustainable competitive advantage either through efficient internal

operations (such as inventory and distribution management) or by external relationship with suppliers and customers. Efficient external operations involve developing strong relationships with the immediate environment: the customers, and the vendors. In other words, a key factor in developing a sustainable competitive advantage is strong vendor relations.

Strong vendor relations can result in a long-term advantage in many ways. Two major ways a retailer can achieve long-term advantage is by getting the merchandise made exclusively for them (private brand) or developing a strong relationship with the vendor such that the vendor will sell exclusively to them (exclusivity). Long-term vendor relationships have other advantages such as delivery of items which are under short supply, sharing of market information and preference with respect to discounted merchandise. In essence, long-term relationships provide the retailer with several different mechanisms for obtaining sustainable competitive advantage.

However, in spite of the obvious advantages of long-term relationships, the traditional approach in retailing has been the adversarial approach (Shapiro 1985), where vendors are pitted against each other to obtain the best possible deal. Such an approach is advantageous only in the short-run as vendors face tremendous uncertainty in such relationships. Often in these situations, vendors are less committed to the relationship and actively seek alternative retailers who would provide them with a more stable relationship.

Negotiations in Continuing Relationships

The main thrust of negotiation research in social psychology and game theory until now has been to develop models which explain the process and outcomes of negotiations between two parties in a single period. These single period or static models do not take into consideration the past behavior or future anticipated behaviors of the two parties. This narrow focus of negotiation researchers in both social psychology and game theory stems from the assumption that negotiation occurs between parties who do not have a continuing relationship. As a result, the application of most negotiation research to areas such as manufacturer-distributor or retailer-vendor relationships which are dominated by continuing or long-term relationships is suspect. To clarify this difference, let us consider the relationship between a consumer and a dealer negotiating the sale of a car. The relationship between the two exists until a sale is consummated assuming that no fraudulent activity occurred in the deal. The dealer and the buyer are not concerned with future or past relationships in any explicit fashion except when the dealer expects the goodwill to create future sales. In most situations, the bargaining occurs between the two parties only on issues relevant to the product to be purchased. In contrast, the relationship between two channel members such as manufacturer and

distributor or a vendor and retailer is relatively permanent. DuPont, a manufacturer of consumer and industrial goods, calls this relationship with its dealers a "marketing partnership." The key characteristic of this relationship, according to DuPont, is the desire to seek permanence and be committed in its relationship with the dealer. Toys 'R' Us, a leading retailer in toys, indicates that a strong relationship with the vendor is essential to developing a sustainable competitive advantage. The emphasis in such relationships is the expectation that the relationship will continue to grow and be attractive compared to their competitors.

The example discussed above tries to bring out the difference in focus of previous negotiation research and conceptual model presented in this dissertation. This dissertation is concerned with negotiation between retailers and vendors who have continuing relationships. In this situation, the researcher has to focus on antecedents which determine the long-term orientation of the channel members and the effect of such orientation on the eventual outcomes. This expands the focus of negotiation research from a restricted emphasis on current strategies and outcomes to a broader view of negotiation which considers both the past and future of an existing relationship.

Organization of the dissertation

This dissertation comprises of six chapters. A brief description of each chapter is provided below.

Chapter 1 introduces the need for research in negotiations between parties having a continuing relationship. As seen in this chapter, the current research in negotiation views negotiation between parties as discrete without any effect of past or future of an ongoing relationship.

Chapter 2 is a review of the research done in negotiations and continuing relationships. This chapter looks in detail at the characteristics of short-term and long-term relationships, the notion of interpersonal and interorganizational trust, the conceptualization of power, the research on future expectations and dissatisfaction with outcomes.

Chapter 3 describes the conceptual model of the dissertation. The conceptual framework identifies constructs that affect the nature of interactions between retailers and vendors involved in a continuing relationship. In this framework, a set of antecedent constructs affects the motivational orientation of the channel member resulting in negotiation process behaviors and outcomes. These negotiation outcomes determine the post-bargaining attitudes of the channel members.

Chapter 4 describes the methodology used in the dissertation. This chapter deals with the setting for collecting data, the data collection process, the measures used, and the method of analysis.

Chapter 5 focuses on the results obtained from the analysis of data collected for this dissertation. This chapter describes the individual relationships between constructs that are significant and also speculates on possible reasons for some insignificant results.

Chapter 6 provides a discussion of the results and a brief summary of the significance of this dissertation. This chapter also mentions possible future avenues of research in negotiations between continuing channel members.

CHAPTER 2 REVIEW OF THE LITERATURE

Overview

Research investigating the different forms of exchange has mainly emerged from the economics literature dealing with vertical integration issues (Williamson 1975), and contract law (Macneil 1978) which focussed on contractual obligations in long-term relationships. This chapter provides an overview of various streams of research focussing on the development of long-term relationships, various antecedents of long-term relationships, key characteristics and finally, the consequences of long-term relationships on behavior of channel partners. This chapter emphasizes four factors which determine the existence and development of long-term relationships¹: trust, power, satisfaction, and expectations of future interactions.

Definition of Various Forms of Exchange

Research on interorganizational relationships has mainly focussed on two forms of exchange: market and hierarchical exchanges. Market exchanges are based on the efficiencies of

¹ In this dissertation long-term relationships are interchangeably used with relational exchanges which are defined in the next section.

competitive markets. Using this approach, retailers primarily buy on price, and use multiple sources of supply to obtain the best possible deal from the vendor. Often, this involves switching suppliers over time and using competition among vendors to obtain the best outcome. A market exchange is inherently short-term oriented because it focuses on outcomes from one transaction.

Another form of exchange known as hierarchical exchange has been used in the literature to denote exchanges between vertically integrated units (Williamson 1975). This results in retail buyers working within their own organization to have merchandise produced rather than buying it from an independent vendor in the market. Both these exchanges form the opposite ends of a continuum.

An intermediary form of exchange is the relational exchange (Macneil 1979; Dwyer, Schurr, and Oh 1986; Frazier, Spekman, and O'Neal 1988). Relational exchanges occur when independent buyers and sellers develop relationships with a long-term orientation (Spekman and Johnston 1986). A relational exchange has the advantages associated with both a market exchange and a hierarchical exchange. Specifically, the relational exchange achieves benefits through scale economies obtained from dealing with independent specialists. Since relational exchanges are characterized by mutual trust, long-term planning, and a high level of commitment between the two parties, these relationships offer benefits of coordination similar to those achieved in hierarchical

relationships. While relational exchanges provide significant benefits to both parties, they are fragile due to the absence of a strong governing mechanism such as the marketplace or bureaucracy.

Characteristics of Market and Relational Exchanges

The discussion above has pointed to three different approaches in retailer-vendor relationships. First, a market exchange where the focus is on current transactions, second a relational exchange where the focus is on future transactions, and third a hierarchical exchange where the focus is on future transactions through bureaucratic control. These approaches highlight characteristics which are quite different from each other. The characteristics of two approaches (market and relational) are discussed in this section (hierarchical exchange is not particularly relevant in this context).

Time Frame for Exchanges

Market exchanges tend to be viewed as "discrete transactions" with parties having very little commitment to each other. This leads a channel member to focus on the current transaction. A relational exchange is characterized by a higher level of functional interdependence where shared values and goal compatibility become more important. This forces the channel members to concentrate on future exchanges. Macneil (1978) suggests that in discrete

transactions all future implications of a relationship are brought to the present; thus disallowing consideration of any future transactions. In comparison, relational exchanges incorporate future transactions in the present. According to Macneil (1980), the present in relational transactions is used for planning and preparing for a future not arrived.

Goal Incompatibility

Goal incompatibility in a relationship is the degree to which a set of specific goals and objectives of one party are incompatible to those of other party (Stern and Heskett 1969).

Studies in channel management have focussed on the effect of goal incompatibility on channel conflict. In their study of franchised distribution network of a large industrial installation manufacturer, Eliashberg and Michie (1984) found different sets of goals for the franchisor and franchisee. Even the preference orderings on different goals for the franchisor and franchisee were different. Anderson and Weitz (1989) found that goal compatibility among channel members in the industrial sector led to higher levels of trust and a desire to continue the relationship for a long time. In spite of these studies, there is no systematic evidence regarding the level of goal incompatibility in relationships which are based on market exchanges versus those which are based on relational exchanges. Conceptually, since the success of relational exchanges depends on shared

values, trust and two-way communication , one would expect a higher level of goal compatibility between the parties.

Transaction Costs

According to the transaction cost framework (Williamson 1979, 1981) firms strive to economize their transaction costs. Transaction costs are costs associated with writing, negotiating, and implementing a contract between two parties. In market exchanges which are based on discrete transactions, the transaction costs are low due to several reasons. First, discrete transactions do not envisage any future transactions and hence no contracts are needed for enforcement of contingencies at a future point in time. Second, discrete transactions depend on the efficiency of the market system and hence have little transaction specific investments. As a result, both parties can change partners without worrying about the investments idiosyncratic to the relationship. Third, discrete transactions are enforced by social norms and occasionally by law. It is easier to monitor such exchanges because of the relatively low level of ambiguity in objects of exchange.

In contrast, relational exchanges encourage the development of specialized investments which are idiosyncratic to the particular transaction and, hence, cannot be easily redeployed. These transaction specific investments increase the dependence of one party on another and also increase the susceptibility of parties to

opportunistic behavior by the other party. To reduce opportunistic behaviors, parties have to write contracts which indicate how future contingencies would be resolved. This increases the transaction specific costs. An alternative mechanism used by channel members in relational exchanges to reduce opportunistic behavior and reduce transaction specific costs is to develop a high degree of mutual trust. This would obviate the need for any contingent claims contract between the parties.

An empirical issue that has not been addressed so far in the literature is whether relational exchanges are characterized by high transaction costs.

Transaction Specific Investments

According to Frazier et al. (1988) relational exchanges involve high levels of specialized investments in human and physical assets. Often, in relational exchanges such as Just-In-Time (JIT) exchanges, specialized investment in durable assets such as a new plant next to the Original Equipment Manufacturer (OEM), new warehouses, more delivery vehicles are essential for the close functioning of the OEM and supplier. In many cases, these specialized investments cannot be transferred or redeployed elsewhere. Therefore, these transaction specific investments raise the level of dependence, thereby increasing the susceptibility of both parties to opportunistic behavior by the other party. At the same time such investments signal commitment and willingness

of the parties to dedicate resources to the partnership. Ford, which is a champion of JIT exchanges, makes substantial investment in its suppliers to improve their productivity and efficiency. Often, Ford has helped suppliers install new CAD/CAM systems to design many of their component parts instead of providing all the specifications to the supplier.

In the area of interpersonal relationships, close relationships have been found to have a higher level of irretrievable investment, i.e., investments in time, energy, emotional costs, self-disclosures, and money (Kelly 1978). Rusbult's (1980) investment model indicates that relationships which have a higher level of investment may have greater commitment, i.e. a sense of loyalty to the partner, an expectation of continuity of the relationship, and a willingness to sacrifice short-term outcomes in order to strengthen the relationship.

In a retailing environment, there seems to be some evidence that retailers and vendors who have relational exchanges have a high degree of transaction specific investment. JC Penney, a leading department store chain, has developed computerized procurement and inventory systems along with their long-term suppliers to minimize inventory costs.

Planning

The focus of planning in discrete transactions is limited to the substance of exchange (Macneil 1978). The planning between parties is very specific and complete,

mainly because future contingencies do not exist and the exchange is a simple, monetizable economic exchange (Macneil 1980). On the other hand, relational exchanges focus on the substance of planning only for the initial period; the main focus is on planning the structure and process of exchange (i.e. rules and regulations for the conduct of exchange in future periods). The parties to the exchange realize that planning for specific issues occurring in future is costly and difficult and hence, the focus of planning is on establishing self-regulatory mechanisms. These mechanisms establish approaches to solve problems in a mutually beneficial way when gaps exist in the planning process.

Partners in a relational exchange are likely to share future plans and take into consideration the potential outcomes of their partners. Partners in a relational exchange are more likely to share information about the technological advances and new innovations, and thus identify opportunities in future and plan for it.

Level of Risk

Due to the functional interdependence and high level of transaction specific investments, relational exchanges are perceived as relatively high risk by the parties to the exchange. In JIT exchanges, which are at the extreme end of the relational exchange continuum, OEMs often rely on single sourcing for a component part, which substantially increases the risk associated with the relationship.

In contrast, the risk associated with discrete transactions is low as the parties depend on efficiencies of competitive markets. In fact multiple suppliers are often the rule, indicating a spread of risk across suppliers.

Consequences of Relational Exchanges

In spite of lack of empirical evidence regarding the consequences of relational or long-term exchanges, there seems to be some evidence based on actual relationships that relational exchanges improve the profitability of exchanges. This section focuses on the effect of long-term relationships on issues discussed during the exchange, and the communication and bargaining strategies employed.

Focus of Exchange

Theoretical research in the area of industrial purchasing (Frazier, Spekman, and O'Neal 1988; Spekman 1988) suggests that the focus of exchange in a market exchange is the price of a product. The original equipment manufacturer (OEM) relies on a large number of suppliers who can be played against each other to obtain the best possible price. The buyer considers all potential sources as homogeneous, and therefore the risk associated with switching from one supplier to another is very low. This results in a low degree of interdependence between the parties. In contrast, OEMs who deal with suppliers having differentiated products compared to other competitors are more interested in developing

relational exchanges. Salmond (1987) argues that relational exchanges develop between OEMs and suppliers when suppliers offer customized-differentiated parts to the OEM. This differentiation provides the OEMs an incentive to focus on the core product and the value added services rather than the price of the product alone. The focus of such an exchange is no longer on the price of a product but on cost containment, value analysis, and joint product development (Spekman 1988). An issue which needs to be addressed empirically is whether the focus of exchange on value added services and core product is a direct consequence of differentiated product offered by the supplier.

Communication

Communication between parties in an exchange relationship can be discussed in terms of frequency and content of communication.

Macneil (1978, 1980) indicates that relational transactions are characterized by extensive, deep, and informal or formal communication. In contrast, communication between parties in a market exchange characterized by discrete transactions are limited and formal.

In an industrial purchasing context, Frazier et al. (1988) argue that communication between OEMs and suppliers in a discrete transaction is limited to the delivery system and terms and conditions of the agreement. In contrast, OEMs and suppliers in a relational transaction tend to communicate

more frequently and on issues such as cost containment, new product development, value analysis, and joint designs. Often, OEMs and suppliers work closely to define quality standards and devise ways and means to implement statistical quality control procedures. This increased level of interdependence generates intense, informal, and frequent communications between the two parties.

In channel management, most of the literature deals with communication between manufacturers and distributors. Stern and El-Ansary (1988) indicate that communication plays an important role in the efficiency of a channel system's performance. According to Teas and Sibley (1980) communication reduces role ambiguity and thus improves channel performance. Anderson and Weitz (1989) have found that intense communication occurs between firms having high stakes and greater trust. As relational exchanges result in high stakes due to the high level of transaction specific investment in the relationship, communication, both intense and informal, can be expected between channel members in a relational exchange.

Long-term relationships in the area of interpersonal relationships are also characterized by increasing interaction, greater openness for longer periods of time, and across a wide array of situations (Burgess and Huston 1979). Altman and Taylor's (1973) research on social penetration suggests that as relationships get closer, the breadth and depth of disclosures increase.

In the area of bargaining and negotiations, several studies have looked at the antecedents of communication, especially message sending behaviors (Pruitt 1981). Although most bargaining studies have looked at relationships from a static or a discrete viewpoint, a few studies have looked at the effect of anticipation of future interactions on the behavior of bargainers (see section on expectation of future interactions for a more detailed discussion). These studies indicate that anticipation of future interactions leads to cooperative behaviors (Ben-Yoav and Pruitt 1984) when the other party is seen as cooperative. These cooperative behaviors are often in the form of cooperative communication where one's goals, priorities, and values are conveyed to the other party.

Bargaining

Macneil (1978) indicates that bargaining in a discrete transaction focuses mainly on the price of a product. This focus on price leads to "distributive" bargaining, which focuses on how the available benefits are to be distributed. In contrast, in relational transactions, both parties strive for "joint creative effort" or mutually beneficial outcomes. This is done by extending the bargaining horizon to include future periods of time.

Arndt (1979) has emphasized the importance of domesticated markets, which are markets where transactions are held inside a company (such as in vertically integrated

units) or inside the boundaries of a group of companies committed to long-term cooperation. He argues that negotiations in domesticated markets focus on structural issues, and not on transactional (focus on specific transaction) or contractual (time-bound agreements) issues. These structural negotiations are strategic as they apply to the form and intensity of long-term relations. Arndt (1979) and Dwyer, Schurr, and Oh (1986) make a case for increased research in the area of negotiations for long-term relationships.

Most of the studies in social psychology and game theory have focussed on discrete negotiations (focus on specific transactions). A few studies in social psychology have attempted to capture the long-term orientation of the bargainer by manipulating the presence or absence of future interactions with the other bargainer (Ben-Yoav and Pruitt 1984; Gruder 1971; Shapiro 1975; Marlowe, Gergen, and Doob 1966; Roering, Slusher, and Schooler 1975). Bargainers in the presence of future interactions were told that they would be in a cooperative task with their current bargainer at the end of the bargaining session while subjects in the absence of a future interaction condition were not given such instructions. It was found that bargainers who anticipated future interactions with the other party behaved more cooperatively than bargainers who did not anticipate any future interaction. This indicates that the perception of the

negotiator regarding the length of the relationship, affects the negotiation behaviors and tactics.

Key Factors Governing Relational Exchanges

There are several factors which affect the emergence and development of relational or long-term exchanges. This dissertation focuses on four such elements: trust between parties of exchange, the extent of satisfaction /dissatisfaction between parties, the expectations about future interactions, and the degree of power imbalance between the parties. Each of these factors is discussed in depth in the following sections.

Trust

Goliembiewski and McConkie (1975) indicate that there is no single variable that so thoroughly influences interpersonal and group behavior as trust. The burgeoning literature in social psychology and marketing emphasizes an important point: trust acts a salient factor in determining the spirit and character of a huge range of relationships. The same literature indicates that trust is critical in personal growth and development as well as in task performance. To some observers, trust seems to be an edifice on which healthy personalities are built. Some others see trust as a major facilitator of group accomplishment and managerial problem solving. To rest, trust is the most

important component of labor relations and bargaining (Nigro, 1969). Although this does not exhaust the entire catalog of applications, it does offer a cursory glimpse of centrality of trust in much social behavior.

Meaning of Trust

In social parlance, trust and its synonyms have been used so often with such varied intentions that vagueness is apparent in the multiple meanings given to trust. For working purposes, at least, in common usage:

Trust implies reliance on, or confidence in, some event, person, or thing.

Trust reflects an expectations about outcomes based on perceptions and life experiences.

Trust indicates a charge or duty imposed in faith or confidence as a condition of some relationship.

(Webster's New International Dictionary).

All of these definitions imply some expectations of some kind--but the different kinds of expectations are not clearly distinguished (Barber 1983). Following Barber (1983), "Expectations are the meanings actors attribute to themselves and others as they make choices about which actions and reactions are rationally effective and emotionally and morally appropriate" (page 9). The concept of expectations is a generalized one, and as a result only those expectations which are related to the fundamental meanings of trust are explored here. The three expectations are

1. The expectation of the persistence and fulfillment of the natural and the moral social orders.

2. The expectation of technically competent role performance from those involved in social relationships and systems.
3. The expectation that partners in interaction will carry out their fiduciary obligations and responsibilities.

The first expectation is the most general one which all humans internalize: the persistence of natural and moral social order and its realization. Luhmann (1980) points out that such a generalized trust helps in reducing the complexity of social life. One does not worry about the sky falling down or a person being slapped by others, simply because of this generalized trust. Several social psychologists have highlighted the importance of this generalized expectation or trust as an aid to general development and learning abilities of individuals (Gibb 1964; Rotter 1971).

Against this backdrop of generalized expectancy, the second and third expectations have very specific meanings. The second definition refers to the meaning of trust as the expectation of technically competent role performance. The competent performance expected may relate to expert knowledge, technical facility or everyday performance by an individual. In a retailing context, a vendor who delivers the goods on time may be considered trustworthy, as a result of technically competent role performance.

The third definition of trust as a fiduciary obligation goes beyond the notion of technically competent role performance. Technically competent performance can be

monitored very easily. However, when situations arise where such performances cannot be monitored, trust becomes an extremely powerful medium which directs exchange relationships. A fiduciary obligation is placed on the vendor or retailer to perform in a way that does not take advantage of the trust imposed on them.

The second expectation seems to reflect the focus of trust in the bargaining literature (Pruitt 1981). Trust is an expectancy that a person's word, promise is reliable and that the person will fulfill the necessary obligations in a competent manner in an exchange relationship (competent role performance). Lindsfold (1978) refers to this expectation as "objective credibility."

However, the third definition of trust as a fiduciary obligation seems to be a key element in the conceptualization of trust. A person may not always act the way s/he says s/he will but will be trusted if the actions are considered benevolent by the partner. Lindsfold (1978) refers to this as an attribution of benevolence or nonmanipulativeness. In other words, if a person is perceived as someone who cares about the outcomes of others and is nonmanipulative, s/he is likely to be trusted.

Swan and Nolan (1985) define trust in terms of its components such as feelings, beliefs, and intentions of trust. According to them, a feeling of trust is an emotional component which refers to the degree of positive feeling about the veracity of a object person's statements. Belief

component indicates the person's subjective probability about the truthfulness of an object person's statements. Intentions reflect the person's plans to behave in a trusting or mistrusting way towards the object person. Though their definition of trust is directly based on the tripartite model of attitude, it is similar to the definitions proposed by Barber (1983) and Lindsfold (1978). All the definitions indicate that there is belief element which is based on objective assessment of an object person's truthfulness and an affective element which is subjective and based on attributions regarding the object person's behavior in the past.

Levels of Trust

Along with different expectations, one has to be exacting in specifying the particular social relationship or social system of reference (Barber 1975). What is regarded as competence or fiduciary responsibility between a retail buyer and a vendor's representative may be quite different from the expectations about each other's organization. In other words, it is imperative that the level at which trust operates should be clearly specified. In organizational settings, trust may operate at an interpersonal level or organizational level or both. In certain exchange relationships, interpersonal trust may play a dominant role while the role of organizational trust may be minimal: in others, the roles may be reversed.

Trust and Long-Term Relationships

Trust plays an important role in the development of long-term relationships. At the most basic level, one party has to undertake some actions before the other party and thus must rely on the other party to honor its commitments. Thus, any type of coordinative action by one party in a relationship is open to exploitation. Through trust, parties in a relationship develop the confidence that short-term inequities in the relationship will be corrected and will lead to long-term benefits (Kronman 1985).

Institutional economists' are concerned with market failure due to opportunism (Williamson 1975). The greatest potential for such opportunistic behavior is in long-term relationships where the market based discipline is removed or reduced by a lack of large numbers of competitive entities. In such a noncompetitive situation, the hazards of opportunistic behavior is greater because termination of an exchange relationship cannot be easily achieved. In a noncompetitive situation, opportunistic tendencies can cripple efficient exchange because it often results in higher profit to the party indulging in such behaviors. Williamson argues that hazards of opportunism can be reduced by the use of more administratively coordinated structures to govern long-term relationships. An alternative approach suggested by Ouchi (1980) identifies "clan" systems which rely on attitudes and socialization to provide social restraints on

undesirable behavior such as opportunism. Following this suggestion, one may argue that hazards of opportunistic behavior in long-term relationships can be mitigated or removed if a strong cooperative attitude such as trust prevails.

Frazier, Spekman, and O'Neal (1988) indicate that a key factor which contributes to the success of committed long-term relationships such as the JIT exchanges is the level of trust between the supplier and the OEM. Trust is extremely important because of the high transaction specific investments committed to the relationship. In fact, Frazier et al. argue that a high level of trust may exist even before the supplier and OEM initiate the JIT exchange. Trust is enhanced as tangible evidence of personal integrity accumulates, promises are upheld and opportunistic behaviors are forgone.

Consequences of Trust

1) Trust leads to high-risk coordinative behavior.

Coordinative behavior between parties in a exchange relationship is necessary for reaching mutually acceptable agreements (Pruitt 1981). Coordinative behavior can be classified as high-risk, moderate-risk, and low-risk depending on the amount of risk involved in various actions (Pruitt 1981). According to Pruitt, high-risk coordinative action will be taken by a negotiator only if the other bargainer is trusted. Examples of high-risk coordinative

action would be a large concession that seeks a reciprocal concession, a proposal for compromise, a unilateral tension-reducing action, or statements about one's motives and priorities. Normally, such high-risk coordinative actions leave a party open to image loss (perception of the bargainer as a person willing to concede more than necessary), position loss (a position in which a bargainers cannot move back to their initial position), information loss (bargainer's statements about values, priorities, and limits used by the other party for devising threats or positional commitments) and loss of opportunity for competitive behavior (bargainer aiming at cooperation will be inconsistent with competitive behavior at a later stage). Trust encourages coordinative actions by reducing the dangers of the four types of losses described above. Position loss is reduced because the other party is expected to concede in return. Image loss is reduced as the behavior will not simply strengthen the other party's determination. Information loss is reduced as the other party is not expected to misuse information. Finally, loss of competitive behavior does not play an important role as the intention is to coordinate with the other party.

Thus trust encourages high-risk coordinate action by reducing the dangers of image loss, position loss, information loss, and loss of competitive behavior. Successful high-risk coordinative action leads to a heightened sense of trust which leads to more risk taking in future exchanges.

2) Trust leads to effective problem solving. In spite of the sparse evidence, trust seems to lead to effective problem solving. In low-trust groups, Zand (1972) notes, "interpersonal relationships interfere with and distort perceptions of the problem. Energy and creativity are diverted from finding comprehensive realistic solutions, and members use the problem as an instrument to minimize their vulnerability." Using a quasi-experimental design, Zand demonstrated that subjects exposed to instructions including high versus low levels of trust differ significantly in terms of their behavior. Specifically, high trust led to more open exchange of relevant ideas and feelings, greater clarification of goals and problems, more extensive search for alternative courses of action, increased sharing of influence among all participants, greater satisfaction among participants about their problem solving efforts, greater motivation to implement decisions, and a feeling of interpersonal closeness within groups. All these behaviors enhanced problem solving of a group. Interestingly, Zand's results were the same when data was gathered in two independent ways: self-reports from subjects, and reports from observers of group performance who had no inkling of the experimental conditions. In other studies, Kee (1970) has found that trust/suspicion are key moderators or determinants of performance in experimental situations. His trust groups reached agreement more quickly than suspicion groups.

Further, the suspicion groups were given to more threats and lies than sharing of information.

3) Trust leads to cooperative behavior. A number of researchers have found systematic relationship between bargaining behavior and an individual's predisposition to trust others. Based on a number of studies, it appears that trusting bargainers behave more cooperatively than those who are less trusting. Deutsch (1962) indicates that when individuals choose to cooperate, they essentially place their fate in the hands of others. This is a basic act of trust. Gibb (1964) proposes that the concerns for controlling others becomes relatively minor for trusting individuals. Such a condition facilitates cooperation. Tedeschi, Hiester, and Gahagan (1969) and Schlenker, Helm, and Tedeschi (1973) found that individuals who trusted others behaved more cooperatively in the Prisoner's Dilemma game than those who were low in trust. Deutsch (1960) has also found support for trust as a facilitator of cooperative behavior. He found that subjects who had the goals of cooperative orientation behaved more cooperatively than subjects who had a goal of being competitive. Kimmel et al. (1980) found that under high aspirations, high trust produced cooperative behavior in the form of direct information exchange while low trust produced distributive behavior in the form of indirect information exchange. Similar results were found by Schurr and Ozanne (1985) who found that under conditions of high toughness (which is similar to the manipulation of aspirations in

Kimmel et al. study) high trust led to higher level of agreements, fewer unreciprocated concessions, and fewer distributive messages compared to a low trust condition.

In summary, low trust is an antecedent of distributive behavior as it produces evasive, complaint, or aggressive communications which conceal the true attitudes (Mellinger 1959) whereas high trust fosters integrative behavior, especially in the form of self-disclosures about needs and priorities (Kimmel et al. 1980). Thus, based on the empirical evidence one can conclude that trust results in cooperative behavior.

Power

For more than two decades the phenomena of power in channels of distribution has been given regular empirical attention in the marketing literature. Stern and El-Ansary (1988) indicate that a major function of power is to specify roles of the channel members for effective coordination between parties.

Meaning of Power

Based on the numerous definitions of power, Stern and El-Ansary (1988) conclude that power is the ability to get another channel member to do what the latter would not have otherwise done. A basis for this conceptualization of power is the one offered by Schopler (1965) that suggests that a channel member's (A) power over another (B) is the net

increase in the probability of B's enacting a behavior after A has made an intervention, compared with the probability of B's enacting the behavior in the absence of A's intervention. In a marketing context, according to El-Ansary and Stern (1972):

The power of a channel member is his/her ability to control decision variables in the marketing strategy of another member in a given channel at a different level of distribution. For this control to qualify as power, it should be different from the influenced member's original level of control over his own marketing strategy. (page 47)

The above definition will be used in this discussion. The nature of power has been greatly illuminated by the works of Emerson (1962) and French and Raven (1959).

Emerson has focussed on the relationship between power and dependence. Power viewed from his viewpoint, is the extent to which channel members depend on one another. The more highly dependent A is on B, the more power B has over A. According to Emerson (1962), the dependence of B on A is directly proportional to B's motivational investment in goals mediated by A, and inversely proportional to the availability of those goals to B outside the A-B relationship.

Another approach to power-dependency issue is to view dependency from a social exchange perspective. The social exchange theory rests on two important constructs: comparison level (CL) and comparison level for alternatives (CL alt.). The comparison level is the quality of outcomes channel members have come to expect from their relationships with channel members of a specific kind on the basis of their past

and present experience and their knowledge of firms similar to themselves. The outcomes obtained from a relationship, compared against this standard, determine the attractiveness of the relationship. The comparison level of alternatives (CL alt) by contrast, is the average quality of outcomes channel members can expect from the best alternative (resource or vendor) to their present exchange relationship. As such, comparison level for alternatives represents the lowest level of outcomes a channel member will accept and still remain in the relationship. The level of outcomes from the current relationship compared to comparison level for alternatives (CL alt.) determines the level of dependency of one party on another. A much broader conceptualization of power as dependency is provided by Heide and John (1988). According to Heide and John (1988), a channel member A is dependent on channel member B if

1. Channel member A considers the outcomes from the relationship as highly important.
2. The magnitude of channel member A's business with B is very high.
3. Channel member A's outcome from the relationship is much higher than the best other alternative.
4. There are fewer alternative sources of exchange available to channel member A.
5. There are fewer potential sources of exchange available to channel member A.

6. Channel member A has invested in high transaction specific assets in the relationship.

Thus, more dependent channel member A is on B based on these sources of dependence, greater is the power of B.

French and Raven (1959) added more specificity to the notion of power by identifying the sources or bases of power. According to French and Raven (1959), the sources of A's power over B are based on

1. B's perception that A has the ability to mediate rewards for B.
2. B's perception that A has the ability to mediate punishments for B.
3. B's perception that A has the legitimate right to prescribe behavior for B.
4. B's identification with A.
5. B's perception that A has some special knowledge or expertness.

These power sources have been designated reward, coercive, legitimate, referent, and expert power bases. The greater the sources of power available to a channel member, greater is the power of the channel member.

Gaski (1984) has pointed out that though there is considerable amount of consensus among marketing researchers that power is the ability to alter another party's behavior, the measurement of power has focussed on actual alteration of other's behavior. Therefore, in this discussion, power refers to the potential or ability to change another's behavior

whereas exercised power refers to the actual use of such power to alter behavior of channel members.

Consequences of Power: Some Experimental Results

1) Prisoner's Dilemma (PD) Paradigm. The effect of power asymmetry on bargaining effectiveness has been assessed in the PD paradigm by varying the actual or perceived status of the parties or by varying the experimental reward structure or payoff matrices. In the manipulation of power through status variation, the power each party believes he/she can or entitled to exercise is varied. In the manipulation of power through reward allocation, the initial allocation of resources among parties is varied. Irrespective of the way the power between parties is manipulated, the general conclusion is that power asymmetry affects bargaining effectiveness. In most PD games, the cooperative behavior is measured by the number of cooperative moves made by the party.

a) Status variations: Rekosh and Feigenbaum (1966) and Faley and Tedeschi (1971) manipulated status in a PD game and had subjects negotiate against an experimental confederate. Rekosh and Feigenbaum (1966) found that subjects made cooperative choices with greater frequency when playing against a peer (with equal power) rather than a graduate student (with high relative power). Faley and Tedeschi (1971) also found that high status subjects behaved more cooperatively when the other bargainer was also of high

status than low status; and low rank cadets behaved more cooperatively when the other person was of a low status than high status. These studies and others (cf. Rubin and Brown 1975) provide some evidence that equal power bargainers behave more cooperatively (make more cooperative moves) than those with unequal power.

b) Matrix variation: Most of the studies in this category manipulate power by varying the matrix values in a PD game. In these experiments, matrices in which outcomes to both players are symmetrical were contrasted with those in which outcomes favored one player over the another. In general, the findings of these studies indicate that bargainers with equal power behave more cooperatively (make cooperative moves with greater frequency) than bargainers having unequal power.

c) Reward structure: In these experiments, power was manipulated by differentially allocating initial resources or control over the experimental situation. Aranoff and Tedeschi (1968) awarded one member of a pair of subjects an initial advantage of 25, 50, 100, or 500 points. It was found that as the magnitude of the subject's advantage increased, the frequency of mutually cooperative moves decreased.

2) Acme-Bolt trucking game. The support for the proposition about the effect of power has also been obtained in paradigms other than PD such as the Acme-bolt trucking game. In a very famous experiment, Deutsch and Krauss (1960) varied relative power by providing one member, neither member, or both members with a gate. The possession of the

gate reflects the power as the party can control the outcomes of the other party. The results indicated that the mean joint outcomes and bargaining effectiveness was greater when the bargainers had equal power (0 or 2 gates) than unequal power (1 gate).²

3) Bilateral monopoly. Komorita and Barnes (1969) tested the effects of power in a bilateral monopoly paradigm and found that subject pairs with equal power reached agreements more often, required fewer trials to do so, and made larger concessions than those with unequal power. Further, numerous other studies have indicated that bargainers with high power relative to those of their partner tend to behave manipulatively, and exploitatively, while those with low power tend to behave submissively (see Rubin and Brown 1975 for studies relating to this).

In marketing, a few experiments have investigated the effect of power asymmetry on negotiation process and outcomes. The earliest experiment was a laboratory simulation of manufacturer-retailer bargaining by Walker (1971). In this experiment, the balanced power condition had negotiations between one manufacturer and one retailer while the unbalanced power condition had one manufacturer and two retailers. Walker utilized this design to study the effects of learning on bargaining behavior. When subjects negotiated

² This conclusion is based on the comparison of mean joint outcome at 0 and 2 gate levels with 1 gate level. However, the mean joint outcome of 1 gate level was greater than 2 gate level.

over time they learned where a mutually acceptable agreement was likely to occur and adjusted their offers in that direction. As a result, they required fewer bids, tended to yield less profit, and communicated less frequently in coming to terms. Walker did not however, compare processes and outcomes of bargaining in the asymmetric power setting with bargaining in a balanced structure.

Dwyer and Walker (1981) extended this design to compare the negotiation process and outcomes in a symmetrical power distribution against an asymmetrical power distribution. They concluded that bargainers who were more powerful made more demanding initial bids, yielded less from their initial positions, made fewer bids to obtain an acceptable agreement, sent a larger proportion of demanding-threatening messages, made higher individual profits and achieved agreements which gave them disproportionately larger share of their group's total profits. Further, the weak bargainers were less favorably disposed towards their partners and were less satisfied with their performance compared to bargainers in the equal power condition.

Another study which investigates the effects of symmetric and asymmetric power is by McAlister, Bazerman, and Fader (1986). The power of the channel members in this experiment was manipulated by varying the number of buyers and sellers in each of the four experimental markets, as well as the maximum number of transactions the buyer and seller could complete. For two of the markets there were equal

number of buyers and sellers, while in the other two markets there were two sellers for every buyer- a situation of power imbalance in the favor of buyer. Orthogonal to this manipulation of power, power was also manipulated by the number of transactions each channel member could complete, providing a power advantage to the seller. Thus, one market provided power imbalance in favor of seller, the other in favor of buyer and the other two market situations represented power balanced situations. This study found that higher power channel members reached more profitable agreements than lower power channel members. Further, channel members with higher power were able to reach greater overall profitability than lower power channel members. This experiment also showed that dyads with equal power reached more integrative agreements than dyads with unbalanced power. This experiment found support for most of the conclusions reached by Dwyer and Walker (1981).

4) Game theoretic approaches. A few marketing studies have employed utility based theories for the prediction of outcomes in a variety of bargaining situations. The most prominent among them has been the use of Nash's (1950) bargaining solution for the prediction of bargaining outcomes. Nash's bargaining solution is an axiomatically derived outcome oriented approach and its prediction focuses on the Pareto-optimal subset. Neslin and Greenhalgh (1983) using a modified form of Nash's equilibrium function found

differences in outcomes in dyads with asymmetrical power compared to dyads with symmetrical power.

Consequences of Power: Field Studies

In spite of the large number of marketing field studies focussing on power and conflict, not many studies have looked at the consequences of power. The focus of most channel research has been on investigating the relationship between sources of power and power and the consequences of power. In a distributive system of automobiles, Lusch (1976) has found that coercive sources of power increased conflict while noncoercive sources of power decreased conflict. Wilkinson (1981) reported support for the same relationship but suggested that the causal direction of relationship may be erroneous. The relationship between power and satisfaction was found to be dependent on whether the power was exercised or not. Specifically, exercised power led to lower satisfaction while unexercised power led to higher satisfaction of the channel member who had lower power (Gaski and Nevin 1985).

Expectations of Future Interactions

Several studies in social psychology have found that buyers and sellers committed to future interactions tend to behave differently compared to buyers and sellers not expecting any future interactions. The prospect of future negotiations may extend the bargainer's view of negotiations

beyond the immediate transaction and may imply a greater weighting of the opponents outcomes than in a single period negotiation.

Meaning of Expectation of Future Interactions

Expectations of future interaction is simply an expectation on the part of bargainers that they would interact with their opponent at a future point in time. In spite of the simplicity of this construct there seems to be some ambiguity in the usage of this construct. In fact, some researchers have used a slightly different construct called the expectation of cooperative future interaction (Ben-Yoav and Pruitt 1984). They define expectation of cooperative future interaction as the anticipation of working toward a common goal with other party at a later point in time. It should be noted that the expectation of cooperative future interaction assumes certain level of cooperativeness or trust between the parties. Although studies using both constructs will be discussed here, it is necessary to keep in mind that expectations of cooperative future interactions is probably a function of high expectations of future interaction and high trust.

Consequences of Expectations of Future Interaction

A number of studies seem to suggest that expectation of future interactions with the other bargainer leads to cooperative behavior. Slusher, Roering, and Rose (1974) had subjects play a one trial PD game and led them to believe

that the game would continue for three more periods. Half of the subjects were told that they would interact with the same partner, while the other half were told that they would interact with a different partner after each game. They found that subjects who expected future interactions with their partner behaved more cooperatively (made more cooperative moves) than subjects who expected future interactions with a different partner. In another experiment, Marlowe, Gergen, and Doob (1966) had subjects play a 30 trial PD game. The subjects were either led to expect that they would meet with their partner after the game or they were given no such expectation. It was found that subjects who anticipated future interactions were less exploitative than those who did not expect to meet the other partner in future. In direct contrast, a PD experiment by Swingle (1969) found subjects who did not expect future interaction behaved more cooperatively than subjects who anticipated future interactions.

This apparent inconsistency in results was resolved by an experiment by Gruder (1969). In a bargaining experiment, he led subjects to believe that the other bargainer was "fair and reasonable" versus "exploitative and unreasonable". He also manipulated the expectation of future interactions by leading one group of subjects to expect future interactions with the opponent while subjects in the other group did not expect such an interaction. Gruder found support for Marlowe et al. and Slusher et al., that subjects playing against a

fair and reasonable opponent and expecting future interactions were more compromising and behaved cooperatively than when the opponent was perceived as exploitative in spite of a high expectation of future interaction.

It appears that expectation of future interaction leads to cooperative behavior when the other party is perceived as fair and reasonable and leads to greater competitive behavior when the other is seen as competitive or exploitative.

Consequences of Expectation of Cooperative Future Interactions

As indicated above, there is substantial evidence which suggests that an expectation of cooperative future interaction leads to cooperative behavior. Pallak and Heller (1971) found that commitment to future interaction with a cooperative partner encouraged the acceptance of influence attempts by the partner. Hancock and Sorrentino (1980) found that anticipation of future interaction with a group enhanced the likelihood of conformity to the group norms when the subject had received prior group support. Ben-Yoav and Pruitt (1984) found that subjects who expected cooperative future interactions reached higher integrative agreements when their aspiration levels were high. In a family decision making context, Corfmann and Lehmann (1987) found that spouses who were more committed to the marital relationship exercised less influence in group decisions. In a broader sense, a negotiator who wishes to continue a relationship will be concerned with the outcomes and satisfaction of an opponent

especially if the other is perceived as a cooperative partner.

This suggests that expectations of future interaction is not enough to obtain a cooperative behavior: the perception of a bargaining opponent as fair and reasonable is also an important factor.

Satisfaction

Robicheaux and El-Ansary (1975) suggest that satisfaction is of fundamental importance in understanding channel relationships. They propose that a channel member's satisfaction with its relationship with another firm results in higher productivity within the channel. Stern and Reve (1980) adopt a similar perspective in their political economy framework and indicate that channel member satisfaction directly affects the internal efficiency with which the channel operates. This suggests that satisfaction within a channel relationship is an important construct. However, in a bargaining context, it may be more important to focus on satisfaction stemming from outcomes obtained by parties in past encounters. To understand the construct of satisfaction, both satisfaction with the entire relationship and satisfaction with past negotiation outcomes are addressed.

Meaning of Satisfaction with a Relationship and its Consequences

The earliest definition of satisfaction in a consumer buying situation was offered by Howard and Sheth (1969).

According to them, consumer satisfaction was:

The buyer's cognitive state of being adequately or inadequately rewarded in a buying situation for the sacrifice s/he has undergone. (page 145)

Although this definition provides some basic idea of satisfaction, it fails to elaborate on the domain of the construct. For example, it is not clear whether one should include all the attributes of a product, or reaction to sales assistance etc. and then measure satisfaction along all those dimensions. Churchill (1979) has emphasized the need to specify the domain of this construct accurately.

Following his suggestion, Ruekert and Churchill (1984) define channel member satisfaction as:

the domain of all characteristics of the relationship between a channel member and another institution in the channel which the focal organization finds rewarding, profitable, instrumental or satisfying. (page 227)

Based on this definition, Ruekert and Churchill (1984) uncovered four dimensions of channel member satisfaction.

These are

1. A product dimension, which reflects the demand for, awareness of, and quality of the manufacturer's products.
2. A financial dimension, which captures the attractiveness of the arrangement with respect to such matters as intermediary margins and return on investment.

3. An assistance dimension, which assess how well the manufacturer supports the intermediary with such aids as cooperative advertising programs and point of purchase displays.

4. A social interaction dimension which reflects how satisfactorily the interactions between the manufacturer and intermediary are handled, primarily through the sales representative servicing the account.

Hunt and Nevin (1974) have found that channel member satisfaction (with respect to all aspects of a relationship) may lead to higher morale, greater cooperation, fewer terminations of relationships, fewer individual class action suits and reduced efforts to seek protective legislation. Lusch (1976) found that channel member satisfaction leads to reduced friction between parties, lower dysfunctional conflict, and increased channel efficiency. Satisfaction has also been found to be related to the exercise of power. Specifically, use of noncoercive sources of power tends to increase satisfaction while the use of coercive sources tends to decrease satisfaction (Lusch 1976; Mitchie and Roering 1978; Stern and Reve 1980). These empirical studies clearly indicate that channel member satisfaction plays a very important role in channel performance.

Satisfaction with Past Outcomes and its Consequences

In the bargaining literature, the satisfaction/dissatisfaction of a bargainer with past outcomes has been

found to affect the bargainer's behavior in future periods. Satisfaction/ dissatisfaction with outcomes refers to a bargainer's cognitive state of being adequately or inadequately rewarded for its services in terms of outcomes.

Research on social motives has shown that bargainers have different motives depending on whether they are ahead or behind their opponent in terms of their outcomes (Messick and Thorngate 1967; McClintock et al. 1973). In a study by MacCrimmon (1973) it was found that subjects who were behind acted in their own self-interest compared to subjects who were ahead. Corfman and Lehmann (1987) found that a bargainer's decision history affected the outcomes in the future periods. Specifically, individuals who were dissatisfied with the outcomes of joint past decisions were more influential in subsequent decisions. They indicate that this may be due to either the increase in preference for preferred outcomes or a desire to even the score in future encounters. Siegel and Fouraker (1960) indicate that high dissatisfaction may even lead a bargainer to maximize the opponent's displeasure at the risk of own outcomes and satisfaction.

In sum, dissatisfaction with past outcomes leads to a tendency to maximize own gain in the next bargaining encounter. However, these researchers have not explicitly taken into account situations of power imbalance between two parties. Specifically, does the extent of dissatisfaction

from outcomes differ across channel members having equal power compared to channel members having unequal power.

Summary

Research in marketing, economics, social psychology and contract law provide a basic framework in the conceptualization of long-term relationships. Research in these areas suggest that long-term relationships have characteristics which are different from short-term exchanges or hierarchical exchanges. Research also suggests that trust between the two parties, the degree of power imbalance, the expectations about future interactions and the degree of satisfaction with the existing relationship play an important role in the emergence of long-term relationships. Parties involved in long-term relationships exhibit behaviors which are substantially different from those having short-term relationships along dimensions related to the focus of exchanges, and the type of bargaining and communication strategies adopted by the two parties. The next chapter develops these ideas into a conceptual framework which looks into the antecedents and consequences of a long-term orientation.

CHAPTER 3 CONCEPTUAL FRAMEWORK

Overview

The focus of this dissertation is on negotiations between channel members involved in a long-term relationship. The conceptual framework identifies constructs which affect the negotiation process and outcomes of such relationships.

In this framework, a set of antecedent factors affects the motivational orientation of a channel member, which in turn, is instrumental in determining the negotiation process and outcomes of that channel member. The negotiation process and outcomes determine the post-bargaining satisfaction of the channel member. An overview of the conceptual framework is presented in Figure 3-1.

Retailer's Expectation of Future Interactions

Recent research in channels of distribution (Heide and John 1990; Anderson and Weitz 1989) has indicated that the longevity of a channel relationship is dependent on a channel member's perception of the likelihood that the relationship will continue. Research in the area of channels of distribution has found the notion of continuity or expectation of future interactions to be an important predictor of channel member behavior. This section looks at

the antecedents of a retailer's expectation of future interactions.

Definition of Retailer's Expectation of Future Interactions

Expectation of future interactions is the perception of bilateral expectation of continuity by a channel member. This construct captures the probability or likelihood of such future interactions and does not capture the attitude towards such a relationship or the desire to conduct such a relationship with the other channel member.

Antecedents of Retailer's Expectation of Future Interactions

Prior research has indicated that factors such as transaction specific investments by channel members, the degree of environmental uncertainty and power imbalance significantly affect the expectation of future interactions of a channel member (Heide and John 1990; Anderson and Weitz 1990). However, these studies have not looked at the effects of all the above mentioned constructs together on the expectations of future interactions. Further, the dimensions of environmental uncertainty proposed in this study are different from those proposed in the above mentioned studies (Heide and John consider technological and volume uncertainty). The purpose of this section is to develop a framework which captures the retailer's expectation of future

interactions. The effect of various antecedents of retailer's expectation of future interactions is shown in Figure 3-2.

Effect of decision making uncertainty on retailer's
expectation of future interactions

Decision making uncertainty is the degree to which decision making units of an organization cannot anticipate or accurately predict the environment (Pfeffer and Salancik 1978). For example, from a retailer's perspective, one source of uncertainty is the degree to which demand cannot be accurately predicted.

A major benefit of a long-term relationship is reducing the uncertainty in the environment. A long-term relationship along with other forms of strategic alliance offers an innovative response to environmental uncertainty. Such long-term relationships result in greater access to information, raw materials, markets, technology, capital and other sources of expertise which allow firms to make decisions with less uncertainty.

Decision making uncertainty of a retailer has both a positive and negative impact on retailer's expectation of future interactions. Decision making uncertainty makes it difficult to specify the tasks that must be performed by the vendor, the manner in which they have to be performed and the level at which they have to be performed. Clearly, writing and enforcing contracts are very difficult in such uncertain environments. This is likely to lead to opportunistic

behavior by the vendor leading to the failure of market mechanism. In such conditions, decision making uncertainty is positively related to the development of long-term relationships and thus, retailer's expectation of future interactions. However, a long-term relationship may have other difficulties when dealing with the high level of complexity and turbulence in the environment. If a shift in strategy is needed in such uncertain environments, it may be easier for the retailer to negotiate with or change to a new vendor than an entrenched vendor (Arrow 1984).

Recently, Balakrishnan and Wernerfelt (1986), Heide and John (1990), and Klein, Frazier, and Roth (1990) have indicated that these divergent results may be better explained by isolating the different dimensions of uncertainty. As a result, two dimensions of environmental uncertainty are introduced: environmental volatility and diversity. These two dimensions were examined by Leblebici and Salancik (1981) and found to have strong effects on the decision processes of organizations.

Environmental volatility refers to the extent to which market and demand changes are rapid. High volatility in a retail industry would reflect rapid fluctuations in customer demand, and inability to predict trends and future outcomes in specific markets. When such volatile situations arise, an organization needs to be flexible, thus, allowing the firm to shift from permanent procedures to temporary and flexible

procedures. Therefore, high volatility in specific markets should lead to low levels of future expectations.

Environmental diversity reflects the extent to which there are multiple sources of uncertainty in the environment (cf. Aldrich 1979). A retail market which includes multiple users of products, multiple vendors, and many competitors would capture this notion of environmental diversity. A firm facing such a wide variety would have little difficulty formulating effective strategic programs for each diverse element by segmenting the different markets. This indicates that environmental uncertainty faced by an organization need not be experienced by an individual buyer dealing with a specific market. This will encourage the retailer buyer to develop channel structures that are relatively permanent. Thus, environmental diversity will lead to long-term relationships resulting in higher expectation of future interactions with these vendors.

H1: Environmental volatility is negatively related to retailer's expectations of future interactions.

H2: Environmental diversity is positively related to retailer's expectations of future interactions.

Effect of transaction specific assets on retailer's expectation of future interactions

Transaction specific assets are investments in durable assets that are highly specialized to the exchange

relationship and are not easily redeployable and have little salvage value in other relationships (Williamson 1981).

Long-term relationships between retailers and vendors are preserved by large transaction specific investments even when the number of alternatives is large. The switching costs imposed by transaction specific assets make short-term exchanges hazardous (Treleven 1987). Opportunism by the vendor or retailer is curbed by the long and sticky nature of the exchange relationship through the transaction specific assets. In such situations idiosyncratic investments lead to "mutual hostage taking" and make termination of the relationship an arduous task for both parties. Axelrod (1984) suggests that due to transaction specific assets, there is an expectation of future exchanges by parties which in itself offers a credible capacity for retaliation if opportunism exists. In these situations, transaction specific investments committed by channel members to the relationship create strong exit barriers for both parties and thus, increase the expectation of future interactions of channel members.

The basic argument is complicated by two distinct sources of transaction specific assets in the retailing context. In a retailer-vendor relationship each party might invest in specific assets. Therefore, the effects are proposed to be interactive. In other words, the relationship between transaction specific investments and expectation of future interactions would be positive only if both parties invest significantly in the relationship. In all other

situations (e.g. transaction specific investment by retailer is high while the transaction specific investment by vendor is low), the effect of transaction specific investments on retailer's expectation of future interactions is likely to be negative.

H3: The level of transaction specific investments made by a retailer and vendor is positively related to retailer's expectation of future interactions only when the retailer and vendor invest significantly in transaction specific assets.

Effect of competition in vendor market on retailer's expectation of future interactions

Competition in the vendor market reflects the number of alternate vendors available to the retailer for a particular product category (Anderson and Weitz 1986).

Economic theory suggests that market based exchanges are more efficient when there are a large number of alternative suppliers. A large base of suppliers protects the retailer from hazards of opportunistic behavior by a vendor because any such opportunistic behavior can be dealt by replacing the current vendor with a new one. On the other hand, when the number of alternative vendors is small, opportunism can cripple the exchange by significantly elevating the transaction costs. Thus, as the competition in vendor market increases, the retailer is likely to prefer market based exchanges. However, such an orientation may not be feasible if there are high switching costs involved in replacing one vendor with another.

H4: Greater competition in the vendor market is negatively related to retailer's expectation of future interactions.

Effect of power imbalance on retailer's expectations of future interactions

Power imbalance is the degree of asymmetry of power, favorable or unfavorable, to the retailer in an exchange relationship.

Power is the ability of one party to get the other party to do something which the other party would not normally do (Schopler 1965; Dahl 1964). An example of use of such power in a retailing context is a situation where the vendor is forced to provide a full guarantee (a guarantee that all unsold merchandise by retailer will be taken back by the vendor) to a retailer. Such full guarantees are rarely provided by most vendors.

The concept of power can also be viewed in terms of dependency of one party on another. When a party A greatly depends on party B to achieve its desired goals, party B is considered more powerful (Emerson 1962). According to the power-dependence theory, as the dependence of one party (vendor) on another (retailer) increases, the power possessed by the other party (retailer) is greater. Thus, a retailer's power advantage arises when the vendor is more dependent on the retailer than the retailer is on the vendor. In a retailing context, the availability of alternate vendors reduces a retailer's dependency on a vendor and thus contributes to its power over the vendor. Conversely, the

availability of alternate retailers would contribute to the vendor's power over the retailer.

It has been found in laboratory experiments that buyers and sellers who possess a power advantage over their channel partner take advantage of the asymmetrical power situation to obtain higher outcomes (Dwyer and Walker 1981; McAlister, Bazerman, and Fader 1986). This effect has also been found in studies using a survey methodology. Anderson and Narus (1984) have found that channel members who possess a power advantage concentrate on translating this power advantage into asymmetrical outcomes leading to dissatisfaction of the low power channel member. A retailer who has the power advantage is less dependent on the vendor than the vendor is on the retailer. In other words, the retailer has many other alternatives which can provide him/her with outcomes comparable to the current outcomes. As a result, the retailer is likely to try to obtain maximum outcomes from the current vendor by using the offers from alternative vendors as a leverage in negotiations. Even if the current relationship is terminated, the retailer with a power advantage can obtain outcomes similar to those previously obtained. Thus, channel relationships with a power imbalance are characterized by less cooperation and greater conflict (Dwyer, Schurr, and Oh 1987; Robicheaux and El-Ansary 1975). Anderson and Weitz (1989) found that unbalanced channel dyads where one partner dominates the other are less stable. In such relationships,

trust between the channel members deteriorates leading to a short-term view of the relationship.¹

H5: Power imbalance in a retailer-vendor relationship is negatively related to retailer's expectation of future interactions.

Effect of Antecedents on Other Antecedents

The effects of various antecedents of retailer's expectation of future interactions on other antecedents is shown in Figure 3-2.

Effect of transaction specific assets on competition in vendor market

Investment in transaction specific investments reduces the number of vendors available to retailer as an exchange partner. Transaction specific assets are idiosyncratic investments tailored to the relationship between a specific retailer and vendor, and these investments lose their value when the relationship breaks down. In such situations, other vendors cannot act as substitutes. Therefore, transaction specific investments create exit barriers between retailers and potential vendors and thus, reduce the number of substitutes available to the retailer.

¹ Anderson and Weitz (1989) indicate that the effect of power imbalance is more pronounced in conventional channels than in administered channels such as franchising. In administered channels, power imbalance is explicitly recognized by both parties before a relationship begins. In a conventional channel, power imbalances develop during the course of a relationship leading to high dissatisfaction. This suggests that power imbalances may contribute to more unstable relationships in conventional channels such as retailing.

H6: Investment in transaction specific assets by a retailer is negatively related to the competition in the vendor market.

Effect of competition in the vendor market on power imbalance

Viewed from a dependence perspective, power of a retailer relative to vendor is the degree to which a vendor is dependent on the retailer for obtaining scarce resources. When there are many suppliers in the market each of whom can provide similar resources to the retailer, the retailer has more power compared to the vendor. The vendor is more dependent on the retailer than the retailer is on the vendor. Such asymmetric dependence situation creates power favorable to one party.

H7: Competition in the vendor market is positively related to power imbalance in the channel dyad.

Effect of transaction specific investments by retailer and vendor on power imbalance

Transaction specific investments are specialized investments tailored to a relationship such that if the relationship were to be terminated, the value of these assets outside the relationship would be very low. Transaction specific investments pose problems for channel members unless channel partners also invest in reciprocating transaction specific assets. If only one party, either the retailer or vendor, invests in specific investments then that party is at risk of losing the value of investment if the exchange is

terminated. The potential risk of losing specific investments by the retailer or the vendor creates a power imbalance in the relationship.

H8: Transaction specific investment by one party alone, either the retailer or vendor, is positively related to power imbalance. When both parties have no specific investments or a lot of specific investments, the specific investments are negatively related to power imbalance.

Retailer's Long-Term Orientation

Pruitt and Kimmel (1977) after reviewing twenty years of experimental gaming literature concluded that a critical factor determining the behavior of a bargainer at a given point in a negotiation game is the bargainer's short-term or long-term perspective. Bargainers with a short-term perspective are concerned only with the options and outcomes of the current negotiation while bargainers with a long-term perspective focus on achieving future goals and are concerned with both current and future outcomes. According to their review, short-term perspective leads to noncooperative behavior by subjects in a Prisoner's Dilemma paradigm while long-term perspective results in cooperative behavior. In this dissertation, the term "orientation" has been used instead of the term "perspective", though both terms have similar meanings.

The difference between short-term and long-term orientations can also be explained with respect to the nature

of interfirm exchange adopted by channel members. Firms with a short-term orientation rely on efficiencies of market exchanges to maximize their profits during a negotiation while firms with a long-term orientation rely on relational exchanges to maximize their profits over a series of negotiations. Relational exchanges obtain efficiencies through joint synergies resulting from investment in, and exploitation of idiosyncratic assets and risk sharing. Both orientations have the ultimate objective of maximizing the outcomes obtained by channel members, and do not imply any altruistic motives on the part of channel members.

Both long-term and short-term orientations are conceptualized in this dissertation as polar opposites on a single dimension. As a result, short-term orientation is negatively correlated with long-term orientation. In other words, an increase in short-term orientation will decrease the long-term orientation of a channel member. For expository clarity, the long-term - short-term continuum will be referred to as the degree of long-term orientation. Since the focus of this dissertation is on the retailer, all hypotheses will be presented from the retailer's viewpoint. However, a priori there is no clear case for these hypotheses to differ when viewed from a vendor's viewpoint.

It is important to note that long-term orientation reflects the desire or the attitude of the retailer towards having a long-term relationship. Retailer's expectations of

future interactions merely capture the probability of a future interaction between the retailer and vendor.

Definition of Retailer's Long-Term Orientation

A retailer's long-term orientation is the degree to which a retailer is concerned with future outcomes leading to a goal of maximizing outcomes over a long period of time.

Antecedents of Retailer's Long-Term Orientation

A retailer's long-term orientation is affected by economic, environmental and relationship factors. This section explicates the effect of these factors on a retailer's long-term orientation. The effect of various antecedents on retailer's long-term orientation is shown in Figure 3-3.

Effect of individual trust on retailer's long-term orientation

Trust in an individual is a belief that an individual's word or promise is reliable and that the individual will fulfill obligations in an exchange relationship (Blau 1964; Rotter 1967). This definition emphasizes the truthfulness aspect of trust which Lindsfold (1978) refers to as objective credibility: an expectancy held by an individual that the other person's word or written statement can be relied upon. A second aspect of trust focuses on the motives of individuals concerned. Vendors who are concerned about the

outcomes of a retailer along with their own will be trusted to a greater extent than vendors who are solely interested in their own welfare. It should be noted that the second type of trust can exist even when the objective credibility of vendors is less than perfect: vendors may not act the way they say they will because of competing demands or situations beyond their control. In other words, vendors will be trusted if their actions are perceived as benevolent by the retailer (Lindskold 1978). In this definition of trust, the focus is on an individual's trust of the other person, an individual.

Retailer's long-term orientation is also affected by the trust they have on vendor organization. Trust in a vendor organization refers to the belief a retailer has that the vendor organization will fulfill its obligations in an exchange relationship.

Trust in an individual vendor or organization have similar effects on retailer's long-term orientation. Trust affects the long-term orientation of a retailer in three ways: 1) trust reduces the chances of opportunistic behavior by the vendor, 2) trust increases the confidence of the retailer that short-term inequities will be resolved over a long period, and 3) trust reduces the transaction costs in an exchange relationship.

According to Williamson (1975; 1981), an understanding of transaction costs is central to the study of organizations. The transaction costs include the costs of reaching an agreement satisfactory to both sides, adapting

the agreement to unanticipated contingencies, and enforcing its terms. Due to bounded rationality and the costs of writing, negotiating and implementing a contract, a comprehensive contract involving a long-term relationship is not possible. At best, only incomplete contracting can be achieved. Williamson (1981) argues that such incomplete contracts are feasible only if there is mutual trust between parties. Incomplete contracting in a trusting relationship means that, the two parties agree to adapt to unanticipated contingencies in a mutually profitable manner. In such trusting relationships, retailers and vendors are likely to respond to inequities through solutions over the long-run instead of responding to inequities through opportunistic behaviors. This suggests that trust acts as a dampening mechanism of opportunistic behavior in an exchange relationship. Thus, when trust exists, long-term idiosyncratic investments can be made with limited risk because the channel members will refrain from using their power to renege on contracts or use a shift in circumstances to obtain profits in their favor (Lorentz 1988). Further, trusting relationships are likely to have lower transaction costs as incomplete contracts are sufficient for running the exchange relationship. In summary, trust reduces the opportunistic behavior by vendor, lowers transaction costs in an exchange relationship and increases the long-term investment of the vendor.

H9: Trust in an individual vendor is positively related to retailer's long-term orientation.

H10: Trust in vendor organization is positively related to retailer's long-term orientation.

Effect of retailer's dissatisfaction with past outcomes and retailer's long-term orientation

A retailer's dissatisfaction with past outcomes reflects a cognitive state of feeling inadequately rewarded for the past activities concerning the relationship (Howard and Sheth 1969). These activities in a channel of distribution refer to the product (satisfaction with product quality), financial (satisfaction with gross margin, credit policies), assistance (satisfaction with promotional assistance), and social interaction (satisfaction with vendor's representative) dimensions of the relationship (Ruekert and Churchill 1984).

Research in the area of family decision making has indicated that a dyad's decision history, i.e the outcome in previous periods affects the current outcomes (Corfman and Lehmann 1987). Losses in the past periods increase the desire to even the score in current and future exchanges by enhancing the strength of preferred outcomes. This is similar to Kelly and Thibaut's (1978) work where the outcomes themselves describe the "satisfactoriness" of the exchanges. In other words, subjects who are dissatisfied due to lower outcomes in the past are likely to equalize gains over future periods (Corfmann and Lehmann 1987). In a study by MacCrimmon (1973) subjects cared for their own outcomes when they were

behind but were concerned with the outcomes of their partners along with their own when they were ahead. These studies indicate that the focus of a bargainer shifts to immediate or short-term gains when he/she is dissatisfied with past outcomes.

Equity frameworks, on the other hand propose an intervening "equity/inequity" construct which determines the satisfactoriness of outcomes. In other words, outcomes drive the perceptions of equity or inequity, leading to satisfaction or dissatisfaction with outcomes. Equity theory indicates that dissatisfaction with past outcomes due to inequities in exchange will result in distress. Individuals in distress will try to restore the equity in the relationship by emphasizing their own outcomes in future periods. This suggests that retail buyers who perceive inequity in past negotiation encounters are likely to be dissatisfied leading to a short-term view of their relationship.

H11: A retailer's dissatisfaction with past outcomes is negatively related to the retailer's long-term orientation.

Effect of vendor's long-term orientation on retailer's long-term orientation

Vendor's long-term orientation is the degree to which a retailer perceives that a vendor is interested in developing a long-term relationship with the retailer. Vendor's long-

term orientation reflects the degree to which the vendor focuses on future outcomes rather than current outcomes alone.

An increase in vendor's long-term orientation, indicates greater commitment of the vendor to continue and build the relationship. As Dwyer, Schurr, and Oh (1987) point out that relationships that are committed, are aware of alternatives but do not indulge in continuous and frenetic testing of the commitment to each other. A long-term oriented vendor provides high and consistent inputs to the relationship, and considers the relationship durable resulting in reduced risks and higher efficiency for the retailer.

H12: Vendor's long-term orientation is positively related to retailer's long-term orientation.

Effect of retailer's expectations of future interactions on retailer's long-term orientation

Research in Prisoner's Dilemma paradigm (Pruitt and Kimmel 1977) has indicated that bargainers who expected future interactions with their partner behaved more cooperatively than bargainers who did not expect future interactions. The implication of this result is that a anticipation of working with the other party changes the attitudes and behaviors of parties involved. Marlowe, Gergen and Doob (1966) have shown that expectation of future interactions encouraged the subjects to be less exploitative to their opponents. However, Gruder (1969) found that

subjects in a PD experiment behaved cooperatively towards the other party only if the other party was perceived as fair and reasonable rather than being exploitative. This suggests that retailer's expectation of future interactions will lead to a long-term orientation only when the vendor is perceived as fair and reasonable both which are elements of trust.

H13: A retailer's expectation of future interactions is positively related to retailer's long-term orientation under high levels of trust in vendor's representative.

H14: A retailer's expectation of future interactions is positively related to retailer's long-term orientation under high levels of trust in vendor organization.

Effect of dependence on retailer's long-term orientation

Dependence of a firm A on B is defined as the degree to which outcomes obtained by firm A exceed outcomes available to A from the best alternative, outcomes obtained by A from the relationship are highly valued, and A has few alternative sources or potential sources of exchange (Heide and John 1988)

One of the sources of dependence is the extent of investment by a channel member in assets specific to the relationship. A retailer who has invested in TSA has created barriers to exit from such a relationship. These relationships with high switching costs result in an inability of the retailer to replace the vendor easily.

Following Williamson (1979,1985), and Klein, Crawford, and Alcián (1978), one way to protect assets from hazards of

opportunism is to vertically integrate. In a retailing context, vertical integration is quite often not a feasible solution (Heide and John 1988). The only other alternative is to develop long-term relationships with vendors. Long-term relationships with vendors who are less dependent on the retailer, could safeguard assets and reduce dependence over the long-run. A retailer who increases the transaction specific investment in a relationship and translates this investment into outcomes which are superior to the best alternative a vendor has, can increase the vendor's dependence on the retailer. This could result in a more balanced dependence between the retailer and vendor.

In contrast, as the dependence of a vendor on retailer increases, the retailer has the opportunity to deny long-term contracts with vendor which could be used as a safeguard by the vendor against retailer's opportunistic behavior. In other words, since the risk associated with transaction specific assets is vendor's, retailers are less likely to be motivated to develop a long-term relationship.

H15: Dependence of a retailer on vendor is positively related to retailer's long-term orientation.

H16: Dependence of a vendor on retailer is negatively related to retailer's long-term orientation.

Effect of Antecedents on Other Antecedents

The effects of various antecedents of retailer's long-term orientation on other antecedents is shown in Figures 3-3 and 3-4.

Effect of dissatisfaction with past outcomes on vendor's trustworthiness

Research in equity theory and social exchange theory suggests that inequitable outcomes in the past affect behavior in subsequent periods (Adams 1965; Kelly and Thibaut 1978). In a continuing relationship, dissatisfaction with past outcomes indicates an inequity in social exchange. According to equity theory, when individuals find themselves participating in inequitable relationships, they feel distress. This distress results in physiological and psychological arousal such as anger, resentment, and mistrust. Such social inequity which leaves one member at a disadvantage in an exchange relationship affects their feelings towards the other party. Specifically, feelings such as resentment, anger, and being taken advantage of, generated due to dissatisfaction result in suspicion and mistrust of the channel partner. In a retailing environment, a retailer who perceives inequity in a relationship due to poor outcomes in the past will be dissatisfied and is likely to view the vendor, both as an individual and as an organization to be untrustworthy and exploitative. Although, the retailer may still continue such a relationship, there is likely to be a reduced level of trust in the vendor.²

² Zand (1971) indicates that even though a relationship can continue when there is a lack of trust between the parties, such a mistrustful climate introduces social uncertainty where each party's behavior is viewed with circumspection. This often leads to a breakdown of relationships.

H17: A retailer's dissatisfaction with past outcomes is negatively related to retailer's trust in vendor's representative.

H18: A retailer's dissatisfaction with past outcomes is negatively related to retailer's trust in vendor organization.

Effect of power imbalance on trust

When one party possesses a high leverage over the other party, the stronger party becomes manipulative and exploitative. This leads the weaker party to mistrust the intentions of the stronger party. Anderson and Weitz (1989) found that power imbalance significantly decreased trust between dyads in conventional channels. In a retailing context, a retailer who has lower power than vendor is likely to mistrust the vendor. Conversely, a vendor who has lower power compared to retailer is likely to mistrust the intentions of the stronger retailer, resulting in lower trust. Retail buyers who perceive a power imbalance against them, are likely to attribute their mistrust to both the organization and the individuals representing the organization.

H19: Power imbalance favoring the vendor in a retailer-vendor relationship is negatively to retailer's trust in vendor's representative.

H20: Power imbalance favoring the vendor in a retailer-vendor relationship is negatively related to retailer's trust in vendor organization.

Effect of transaction specific investments on dependence

Transaction specific assets create exchange difficulties for the investing party (Heide and John 1988). These difficulties arise because an opportunistic exchange partner could appropriate some fraction of the value of the immobile assets. This happens as the investing party can no longer rely on the threat to switch to another supplier or vendor. In other words, switching costs due to immobile transaction specific assets prevent credible threats. Therefore, the extent of dependence is a function of the magnitude of the specific assets.

H21: Transaction specific investments by a retailer are positively related to the dependence of a retailer on vendor.

H22: Transaction specific investments by a vendor are positively related to the dependence of a vendor on retailer.

Effect of transaction specific investments by a vendor on vendor's long-term orientation

Transaction specific assets by a vendor are immobile assets that increase the dependence of the vendor on a retailer. Although, the specific assets by vendor could lead to opportunistic behavior by retailer, they also send signals to the retailer regarding the commitment of a vendor to the relationship. Such assets allow retailers to plan strategically without worrying about a vendor switching to other retailers. In other words, the risk encountered by

retailer in that relationship is reduced, thus increasing the possibility of a long-term relationship.

H22: Transaction specific investments by a vendor are positively related to the vendor's long-term orientation.

Effects of vendor's long-term orientation on retailer's trust in vendor organization and its representative

Vendor's long-term orientation supports increased levels of trust for several reasons. First, when the vendor is long-term oriented, retailers believe that they can correct short-term inequities. Further, when the association is perceived to be more durable, each party is more confident that the other will fulfill the obligations faithfully. Essentially, vendor's long-term orientation (e.g. through increased TSI) increases the likelihood of good behavior on the part of vendor, and reduces the possibility of opportunistic behavior.

H24: Vendor's long-term orientation is positively related to retailer's trust in vendor's representative.

H25: Vendor's long-term orientation is positively related to retailer's trust in vendor organization.

Summary

Long-term orientation of a retailer is affected by retailer's expectations of future interactions, the perception of vendor's long-term orientation, the degree of individual and organizational trust, and the extent of

perceived dependence of the retailer and vendor on each other.

Retailer's Initial Offer

Overview

A bargainer's initial offer often sets the tone of negotiation between two parties. An initial offer conveys important information about bargainers perception of their adversary, and their own aspirations and limits. For example, a high initial offer often sends a signal to the opponent that the bargainer has high aspirations. In some cases, it also signals a lack of trust between the bargainer and opponent. Therefore, the initial offer is an important part of the bargaining process.

Definition of Retailer's Initial Offer

The initial offer is the benefits a retailer would receive if his/her first offer was accepted by the vendor. The initial offer made by retailers is a function of their aspiration level.

Aspiration level is the level of benefit sought by a retailer during a specific negotiation encounter (Pruitt 1981). Aspiration level is the expectation or goal of a retailer for the current negotiation on various issues. Pruitt (1981) indicates that negotiators make high initial

offers to protect their aspiration levels. This stems from a fear of position loss. Once negotiators make initial offers closer to their aspiration levels, it is difficult for them to increase their offers during the negotiation without losing face to their opponents. As a result, to achieve their true aspiration levels, negotiators find it necessary to conceal their aspirations by making initial offers which are high and then trading concessions from this high initial offer level. Experimental evidence has shown that higher aspiration levels produce higher initial offers (Hammer and Harnett 1975; Yukl 1974).

Antecedents of Retailer's Initial Offer Relative to the Retailer's own Aspiration Level

Retailer's initial offer (relative to own aspiration level) depends on whether the retailer or the vendor makes the initial offer. Since, the model under the two situations is different, both are discussed separately. The two models are depicted in Figure 3-5.

1) Retailer makes initial offer

Effect of retailer's long-term orientation on retailer's initial offer. The long-term orientation of a retailer affects their initial offer. Retailers who are long-term oriented consider the negotiation between parties not as a single episode but as a continuous series of interactions. Retailers having such a view of the relationship, are not

overtly concerned about position loss (loss due to the discovery of true aspiration level by the other party) and image loss (loss due to the discovery of limits). Even if moderate initial offers result in short-term inequities, the retailers are confident that such inequities will balance out in the long run. Long-term oriented retailers behave responsively towards the vendors and expect similar response from the vendor. Retailers having a long-term orientation tend to be truthful about their aspiration levels, and hence make initial offers which are closer to their aspiration level (Pruitt 1981).

A study by Schoeninger and Wood (1969) found that intimate couples exchanged truthful information about aspirations, and adopted problem solving approach. In contrast, stranger dyads started out with high initial demands, and made small concessions from this high initial demand.

H26: Retailer's long-term orientation is negatively related to the retailer's initial offer (relative to own aspiration level).

Effect of vendor's long-term orientation on retailer's initial offer. Vendor's long-term orientation indicates a commitment on the part of vendor towards developing a long-term relationship. Retailers who perceive the vendor to be long-term oriented, are confident that any short-term inequity created due to an initial offer closer to their aspiration levels will not have long-term consequences and will be resolved over future time periods. In other words,

retailers who consider the vendor long-term oriented are likely to take more risks by being honest about their aspiration levels, resulting in initial offers close to their aspiration levels.

H27: Vendor's long-term orientation is negatively related to retailer's initial offer (compared to retailer's aspiration level).

2) Vendor makes initial offer

Effect of vendor's initial offer on retailer's initial offer. Research in negotiations indicates that bargainers' initial offers are affected by their perception of the other party's behavior. One common occurrence in negotiations is strategy imitation, wherein a negotiator cooperates with the other party when the other's actions are perceived as cooperative and acts competitively when the other is seen as competitive. Opponent's behavior that is seen as competitive puts the target on the defensive and thus elicits a competitive behavior in return (Kimmel et al. 1980). A common imitation behavior occurs when the vendor makes a tough initial offer. When such an offer is perceived as competitive it leads to a similar tough initial offer by the retailer.

Vendor's long-term orientation affects the attributions a retailer makes regarding the vendor's initial offer. A tough initial offer from a long-term oriented vendor is likely to be attributed to external constraints rather than the vendor's desire to make profits at the expense of the

retailer. On the other hand, a tough initial offer from a short-term oriented vendor is likely to be attributed to a desire to make profits at the expense of the retailer. In such situations, retailer is likely to attribute the tough initial offer as being exploitative and unfair. This is likely to result in matching initial offer greater than the retailer's true aspiration level.

H28: Vendor's initial offer is positively related to retailer's initial offer (relative to retailer's own aspiration level).

Effect on retailer's long-term orientation on retailer's initial offer. The rationale for this hypothesis is the same as the one in H25. The only difference is that the vendor makes the initial offer in this case.

H29: Retailer's long-term orientation is negatively related to the retailer's initial offer (relative to retailer's own aspiration level).

Effect of vendor's long-term orientation on vendor's initial offer. A vendor's long-term orientation indicates a commitment on the part of a vendor towards developing a long-term relationship. Retailers who perceive the vendor to be long-term oriented are more likely to expect an initial offer from a vendor close to the vendor's true aspiration level. Retailers perceive long-term oriented vendors to be truthful about their priorities and values. This is similar to situations encountered in Just-in-time relationships where both parties in a negotiation frankly exchange of priority information (Frazier, Spekman, and O'Neal 1988).

H30: Vendor's long-term orientation is negatively related to vendor's initial offer (relative to vendor's own aspiration level).

Message Sending Behaviors and Disagreements

Research in negotiations has focussed on the importance of initial offers in determining the negotiation process (Pruitt 1981). Research has indicated that an extreme opening bid or initial offer (indicating a tough strategy) can lead to higher outcomes for the bargainer making the initial offer (Siegel and Fouraker 1960; Bartos 1966, 1970). However, there are limitations to such a conclusion. Typically, researchers have found that excessive intransigence or toughness may lead to impasse and lack of agreement. Others have argued that when bargainers do not trust each other, a high initial offer may be appropriate. High initial offers followed by a series of concessions (referred to as heuristic trial and error strategy) allow suspicious bargainers to infer each other's priorities without direct disclosures. In other words, under low trust concessions from a high initial offer help in establishing confidence in each other and thus, lead to integrative agreements (Tutzauer and Roloff 1988).

In a relationship which is long-term, the role of initial offer becomes critical. In contrast to the situation described above, a high initial offer relative to bargainer's own aspiration level indicates a desire to maximize own gain at the expense of the other party. This initial offer essentially devalues the trust imposed by bargainers in each

other and has serious repercussions on negotiation behaviors. A high initial offer in a long-term relationship dictates the message sending behavior of vendor, which in turn affects the message sending behavior of the retailer. The message sending behaviors of retailers and vendors determine the level of disagreement between the two bargainers. The model is shown in Figure 3-6.

Effect of retailer's initial offer on vendor's integrative and distributive message sending behavior

Retailer's initial offer (relative to retailer's own aspiration level) indicates the degree to which the retailer truthfully reveals the goals of the negotiation. As retailer's initial offer far exceeds the aspiration level, the vendor abandons information exchange in favor of distributive messages which include threats, putdowns, and fabricated persuasive arguments (Kimmel et al. 1980). On the other hand, a retailer's initial offer which is close to the retailer's aspiration level is likely to result in information exchange about priorities and ways to solve problems.

H31: Retailer's initial offer (relative to retailer's own aspiration level) is positively related to vendor's distributive message sending behavior.

H32: Retailer's initial offer (relative to retailer's own aspiration level) is negatively related to vendor's integrative message sending behavior.

Effect of vendor's integrative messages on retailer's integrative message sending behavior

Research in communications in bargaining (Donohue 1981) has indicated that message sending strategies follow an action-reaction pattern. Donohue's (1981) analysis of interaction sequences has shown that negotiators balance integrative and distributive strategies and reciprocate only integrative strategies. Evidence in labor-management negotiations has indicated that both impasse and settlement dyads reciprocated integrative tactics such as acceptances, exploratory problem solving, and flexibility across bargaining issues (Donohue, Diez, and Hamilton 1984; Putnam and Jones 1982). This suggests that an integrative message sending behavior by vendor will result in reciprocal integrative message sending behavior by retailer under all conditions. In contrast, the reciprocity of distributive messages depends on the type of relationship. Gottman's (1979) work in marital conflict indicates that distressed couples lock into a negative affect cycle, where distributive messages get reciprocated by more distributive messages. On the other hand, non-distressed couples follow a negative-positive or neutral sequence. Similar results are obtained by Putnam and Jones (1982) in labor-management negotiations where impasse dyads matched negative affect statements, attacking arguments, threats and rejections for a series of messages. This suggests that vendor's distributive messages

will result in distributive messages by retailer only if the retailer is short-term oriented. A long-term oriented retailer will respond to vendor's distributive messages in a more integrative way.

H33: Vendor's integrative messages are positively related to retailer's integrative messages.

H34: Vendor's distributive messages are positively related to retailer's distributive messages only when the retailer is short-term oriented.

Effect of message sending behaviors on the level of disagreement between retailers and vendors

The construct "disagreement" reflects the degree to which retailers and vendors disagree on various issues. Research in channels of distribution has indicated that effective use of integrative messages contributes to the reduction of disagreements. Although the success of these integrative messages depends on a trusting and cooperative climate to be effective, empirical evidence suggests that dealer and manufacturers who used such messages achieved agreements on all major issues (the issues such as inventory levels, participation in special programs, and advertising expenditures). On the other hand, use of distributive messages was negatively related to the agreements reached.

Integrative messages are successful in reducing the level of disagreements because they inherently strive towards integrating or maximizing the outcomes of both parties while

distributive messages try to maximize own outcomes to the detriment of other party's interests.

H35: Distributive messages by retailer and vendor are positively related to the level of disagreements.

H36: Integrative messages by retailer and vendor are negatively related to the level of disagreements.

Conflict Resolution Strategies

Many researchers treat communication as an activity that occurs during the manifest stage of conflict when a confrontation is initiated through verbal and nonverbal messages (Putnam and Folger 1988). But interactions processes also lay the groundwork for confrontation when differences in goals, values, and predispositions are realized through communication. This indicates that communication plays an essential role in defining the conflict in negotiations. However, the role of communication is not limited to that. Communication also plays an important role in the resolution of conflict. Interaction patterns are essential elements of conflict resolution as parties adjust to the changes conflict produces, make sense of their experience, assess the impact of conflict's impact on relationships, and try to resolve the conflict episode. The communication patterns in the aftermath or resolution stage are collectively referred to as conflict resolution strategies. These conflict resolution strategies are interaction patterns deliberately selected by parties in conflict to achieve resolution.

Research in conflict resolution refers to five styles of conflict management. These are competing, collaborating, compromising, avoiding, and accommodating styles of conflict management. The five different styles of conflict management can be displayed on a two-dimensional map, with the dimensions being concern for own outcome, and concern for other party's outcome. The five conflict resolution styles are shown in Figure 3-7. In spite of the five commonly accepted styles for intraorganizational situations (supervisor-subordinate relationships), research in buyer-seller relationships (Day, Michaels, and Perdue 1988) has indicated that a majority of purchasing agents used only three styles: problem solving or collaborating, compromising, and competing or aggressive. The results in these studies indicate that both accommodative and avoidant styles seem to have little relevance in buyer-seller negotiations. Therefore, only competing, collaborating or problem solving, and compromising styles of conflict management strategies will be considered here.

Further, research in communications has shown that the strategy adopted by bargainers depends on their orientation towards each other (Pruitt 1981). The following sections indicate how the retailer's long-term orientation along with the perception of vendor's long-term orientation affect the retailer's use of conflict resolution strategy. The conceptual model is shown in Figure 3-8. All the hypotheses focus on conflict resolution strategies used under high

disagreement situation. Under low disagreement or conflict, the choice of one conflict resolution strategy over other cannot be predicted. Figure 3-9 explicates the proposed hypotheses.

Effect of retailer and vendor's long-term orientation on retailer's use of problem solving strategy under high disagreement

When retailer's and vendor's orientations towards developing a long-term relationship is strong, it is easy for both parties to obtain insights into each other's needs, aspirations, values and priorities (Pruitt 1981). Pruitt argues that when parties are concerned with each other's needs, they tend to exchange information about priorities which is instrumental in the development of integrative solutions. Result for this hypothesis has been obtained in a paper by Kimmel et al. (1980) who found that bargainers having high limits and concerned with each other's needs exchanged more information than bargainers solely interested in self-gain. Based on these results, one could suggest that high level of disagreements on issues would result in the adoption of problem solving strategy if both parties were interested in developing a long-term relationship. Problem solving strategy has the potential for increasing the benefits of both parties and would seem to be an attractive strategy for bargainers having a long-term relationship.

H37: When both retailer and vendor are long-term oriented, high level of disagreements lead to the adoption of problem solving strategy.

Effect of retailer and vendor's long-term orientation on retailer's use of compromise strategy under high disagreement

When retailers and vendors do not have similar orientations (either a long or short-term orientation), it is difficult for problem solving to emerge as the objectives and aspirations of retailers and vendors are quite different. Studies in experimental gaming (Komorita et al. 1968; Lindskold and Benett 1973) have shown that a lower threat capacity bargainer initiates cooperative moves in the form of compromises on issues. Osgood (1962, 1966) and Lindskold (1978) both suggest that unilateral initiatives by the weaker party can engender the other party's trust and cooperation. This strategy called the 'Graduated Reciprocation in Tension-Reduction' details the steps of unilateral initiatives which must be made to reduce conflict. In the present context, when retailers and vendors have discrepant objectives, the channel member interested in developing or continuing the relationship needs to make compromises which often are in the form of unilateral moves on negotiation issues.

H38: When a retailer is long-term oriented while the vendor is short-term oriented, high level of disagreements lead to the adoption of compromise strategy by the retailer.

Effect of retailer and vendor's long-term orientation on aggressive strategy under high disagreements

When both the retailer and vendor have short-term orientations, i.e both parties have very little stake in the relationship, use of an aggressive strategy by the retailer seems to be most likely. Research in bargaining has suggested that when parties have little stake in a continuing relationship or have low trust, distributive tactics or coercive behaviors result. Kimmel et al. (1980) and Carnevale et al. (1981) have both indicated that high limits with low concern for each other result in coercive tactics.

H39: When both the retailer and the vendor are short-term oriented, high level of disagreements lead to the adoption of aggressive conflict resolution strategy by retailer.

Retailer and Vendor Concessions

In a competitive environment such as in retailing, buying organizations are keenly interested in lowering costs, thus increasing the profits. Thus, a retailer's concessions are the most important outcome of a negotiation from a retailer's point of view. This section focuses on the effect of different conflict resolution strategies on retailer's and vendor's concessions. The conceptual model is shown in Figure 3-10.

Effect of retailer's use of problem solving strategy on retailer's and vendor's concessions

Retailer's problem solving strategy is based on exchanging information about the retailer's goals, aspirations and priorities. Adoption of problem solving conflict resolution strategy focuses on expanding the pie of resources available to both parties. As such, retailer's adoption of problem solving strategy will have a negative effect on retailer's and vendor's concessions i.e both parties will have to make fewer concessions.

H40: Retailer's problem solving strategy is negatively related to both retailer's and vendor's concessions.

Effect of retailer's use of compromise strategy on retailer's and vendor's concessions

Retailer's compromise strategy indicates that the retailer is likely to make concessions on many issues. Presumably, retailer's compromise strategy will result in similar compromise by the vendor, and thus higher concessions by the vendor. In other words, adoption of a compromise strategy by retailer entails concessions by both parties on various issues.

H41: Retailer's compromise strategy is positively related to both retailer's and vendor's concessions.

Effect of retailer's aggressive strategies on retailer's and vendor's concessions

Retailer's aggressive strategy indicates usage of threats, phony arguments, and positional commitments to elicit concessions from the vendor without making reciprocatory concessions. Since an aggressive strategy is based on maximizing self-gain at the expense of an opponent, it is clear that a retailer's successful execution of an aggressive strategy will result in low concessions by the retailer and high concessions by the vendor.

H42: Retailer's aggressive problem solving strategy is negatively related to retailer's concession but positively related to vendor's concessions.

Satisfaction with the Negotiations

Research in the area of satisfaction has offered many different paradigms, including expectancy disconfirmation (Churchill and Suprenant 1982; Oliver 1980), norms (Woodruff, Cadotte, and Jenkins 1983), attribution (Folkes 1984), and equity/inequity (Oliver and Swan 1989) to explain the antecedents and consequences of satisfaction. In a channel context, the disconfirmation model seems to be the most appropriate as it has been found to be an important predictor of satisfaction in situations where a party's expectations are critical (Anderson and Narus 1990). In the expectancy disconfirmation model, disconfirmation is the degree to which performance exceeds, meets, or falls short of one's

expectations. In a channel context, the evaluations regarding performance would be based on comparison of current outcomes with outcomes expected from the relationship based on experience and knowledge.

A different model focuses on the notion of equity/inequity in a relationship rather than expectancies regarding the performance (Oliver and Swan 1989). In this framework, the buyer or seller's satisfaction is a function of the degree to which they obtain equitable rewards. In both these models, the outcomes obtained from a relationship are a strong predictor of satisfaction.

The conceptual model is shown in Figure 3-11.

Effect of retailer's and vendor's concessions on retailer's satisfaction with the negotiations

Satisfaction with the negotiation is a positive affective state resulting from the appraisal of all aspects of a retailer's negotiation with a vendor. The affective assessment is affected by the rational or objective assessment of the outcomes through the concessions made by the retailer and vendor. Although the concessions are not based on outcomes relative to the expectations, nevertheless, the objective outcomes of the negotiations in the form of concessions will affect the satisfaction of the retailer. Oliver and Swan (1989) have shown that outcomes from a relationship are the strongest predictor of satisfaction (though their framework finds this effect on mediating

variables such as preference and fairness dimensions of equity, which then affect satisfaction).

H43: Retailer's concessions are negatively related to retailer's satisfaction with the negotiation, while vendor's concessions are positively related to retailer's satisfaction with the negotiation.

Effect of retailer's use of problem solving, compromise, and aggressive conflict resolution strategy on retailer's satisfaction with the negotiations

A retailer's satisfaction with negotiation is a function of the extent to which various conflict resolution strategies have been used by the retailer in the negotiation. Previous research in distribution channels has indicated that the use of coercive strategies (aggressive strategy) is likely to be viewed by associated channel members as exploitative (Frazier and Summers 1986). Cadotte and Stern (1979) argue, that in the face of coercion channel members are likely to become more rigid in their views leading to more problems, and little hope of eliminating the underlying causes of conflict. Thus, the use distributive strategy is negatively related to retailer's satisfaction with the negotiation process and outcomes.

In contrast, when retailers use noncoercive strategies such as problem solving or compromise, the vendor is likely to perceive the retailer as being accommodative, responsive to its concerns, and willing to work towards solving the problem. Such problem solving and compromise strategies allow retailers and vendors to focus on the core issues of conflict

resulting in meaningful exchange of information. Such a positive atmosphere is likely to result in a positive affective state, and thus, greater satisfaction.

H44: Retailer's use of aggressive strategy is negatively related to retailer's satisfaction with the negotiations while retailer's use of problem solving and compromise strategies are positively related to retailer's satisfaction with the negotiations.

Summary

The conceptual model discussed in sections 1 to 7 captures the entire negotiation process in a retail bargaining situation. In sections one and two, the conceptual model indicates that factors such as trust, satisfaction, and expectation of future interactions affect retailer's long-term orientation. In sections three and four, the effects on long-term orientation on initial offer and messages sent by both parties is discussed. In section five, the effect of such message sending behaviors on conflicts and conflict resolution strategies is discussed. Finally, in section six and seven, the relationship between conflict resolution strategies and concessions and resulting satisfaction is discussed.

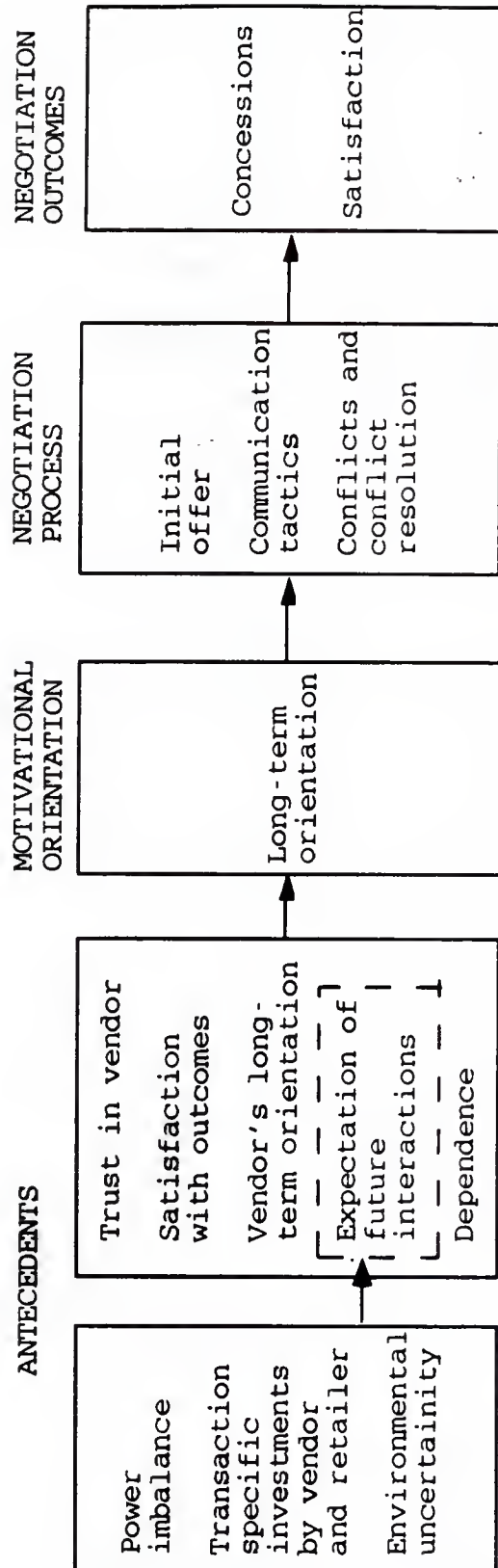


Fig.3-1: Overview of the Conceptual Framework

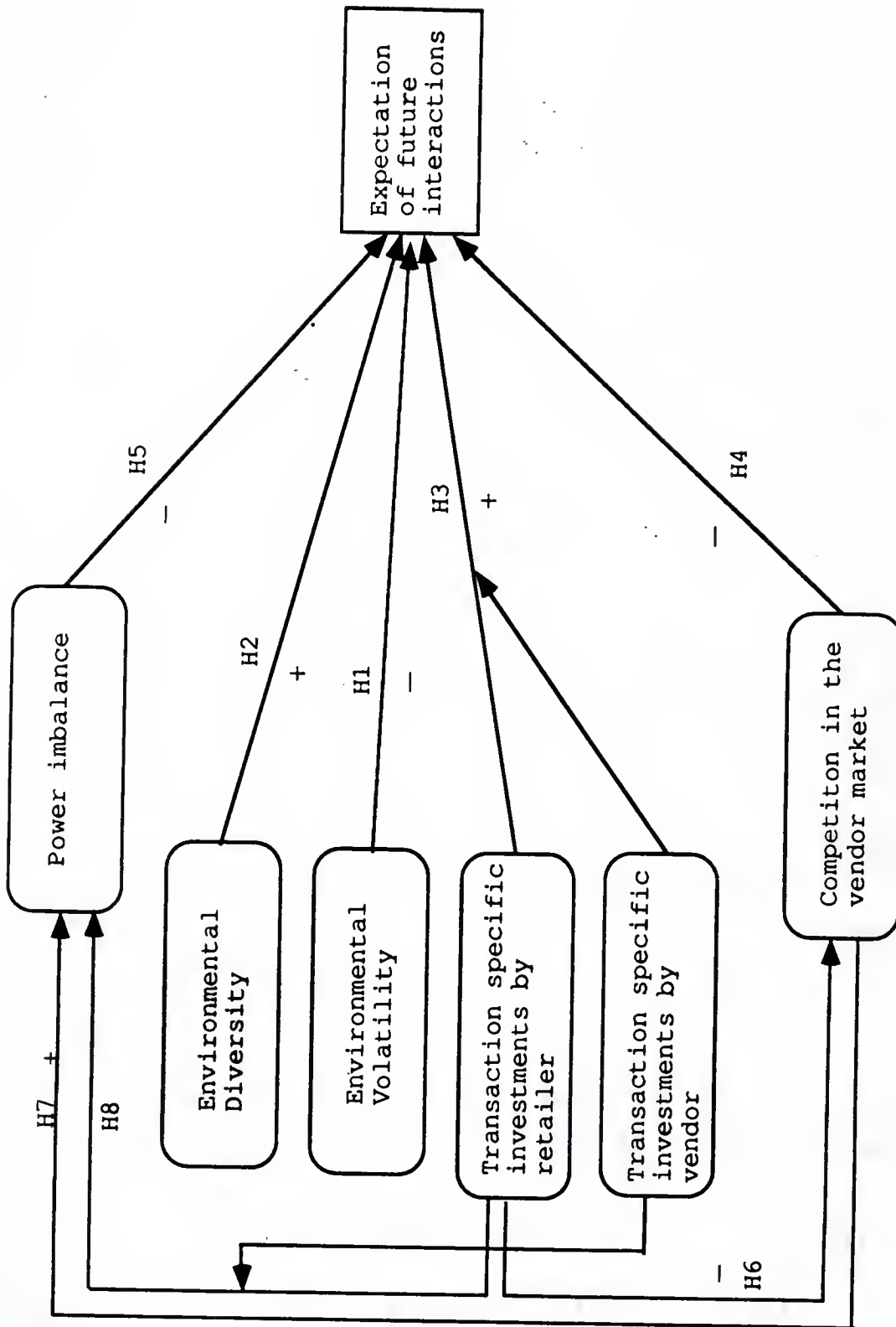


Fig 3-2: Antecedents of a Retailer's Expectation of Future Interactions

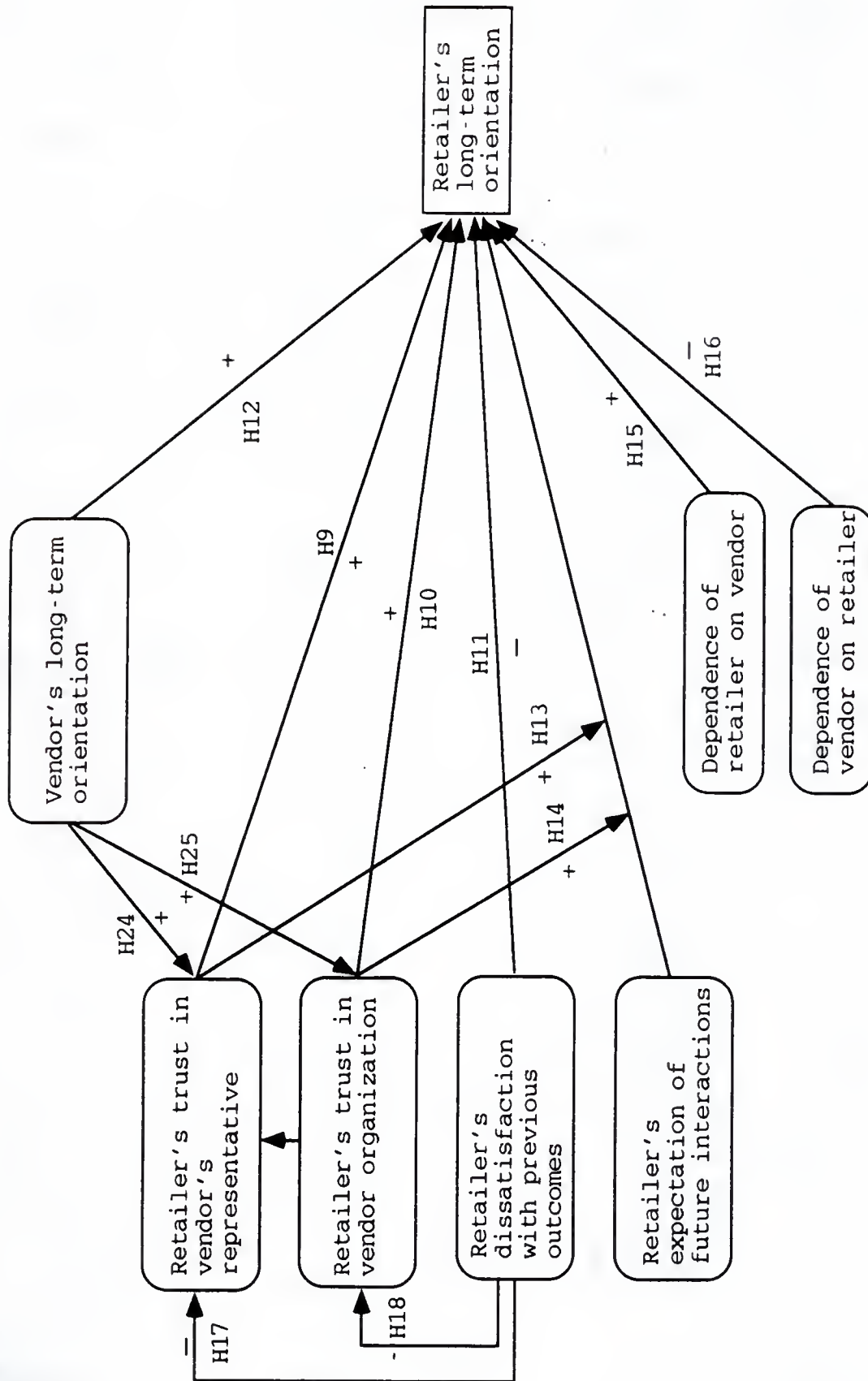


Fig. 3-3: Antecedents of a Retailer's Long-Term Orientation

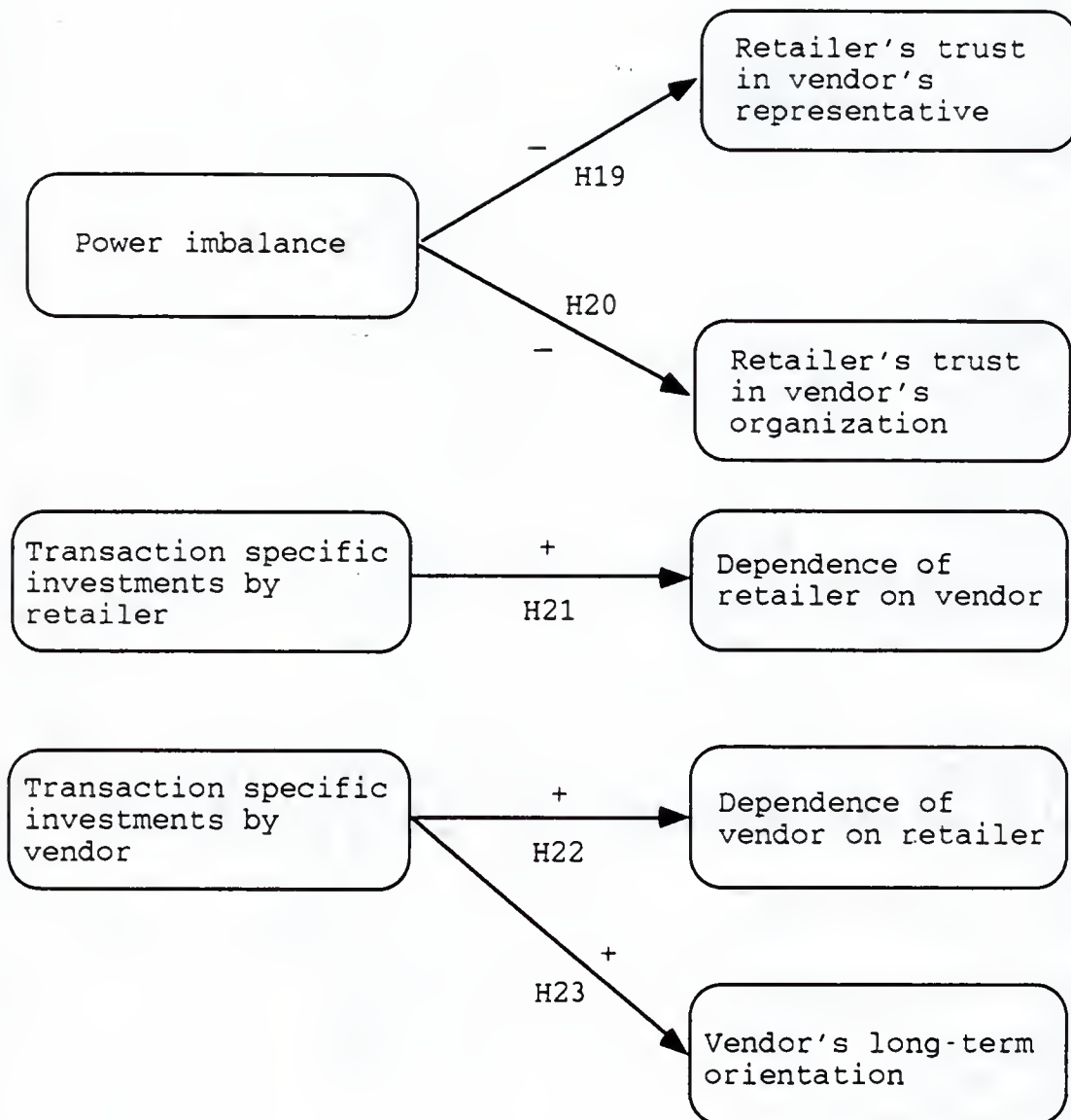
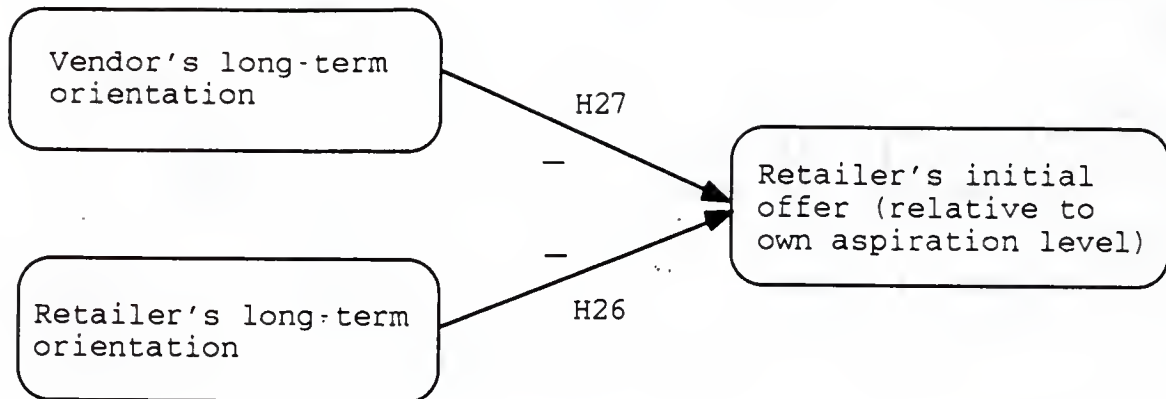
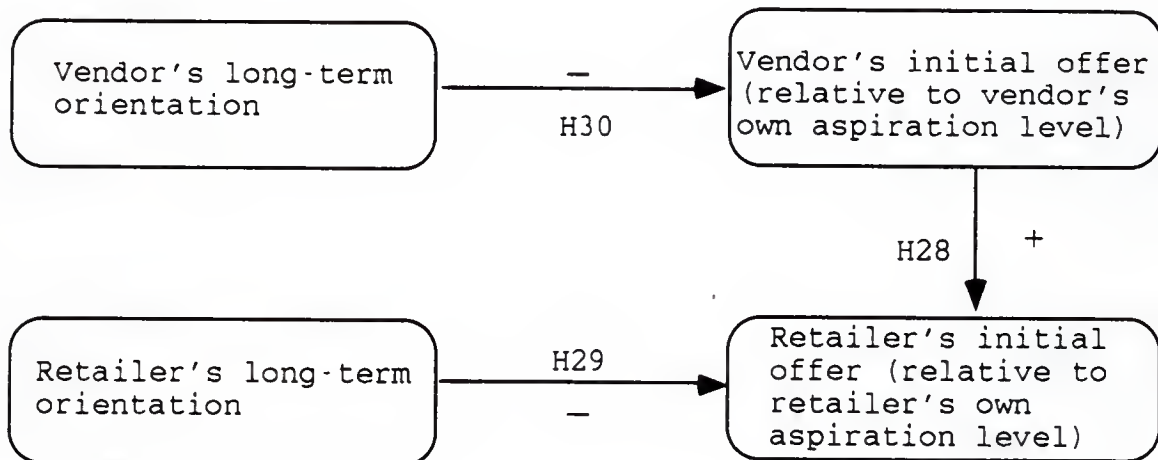


Fig. 3-4: Antecedents affecting other antecedents



a) Retailer makes the initial offer



b) Vendor makes the initial offer

Fig. 3-5: Antecedents of a Retailer's Initial Offer

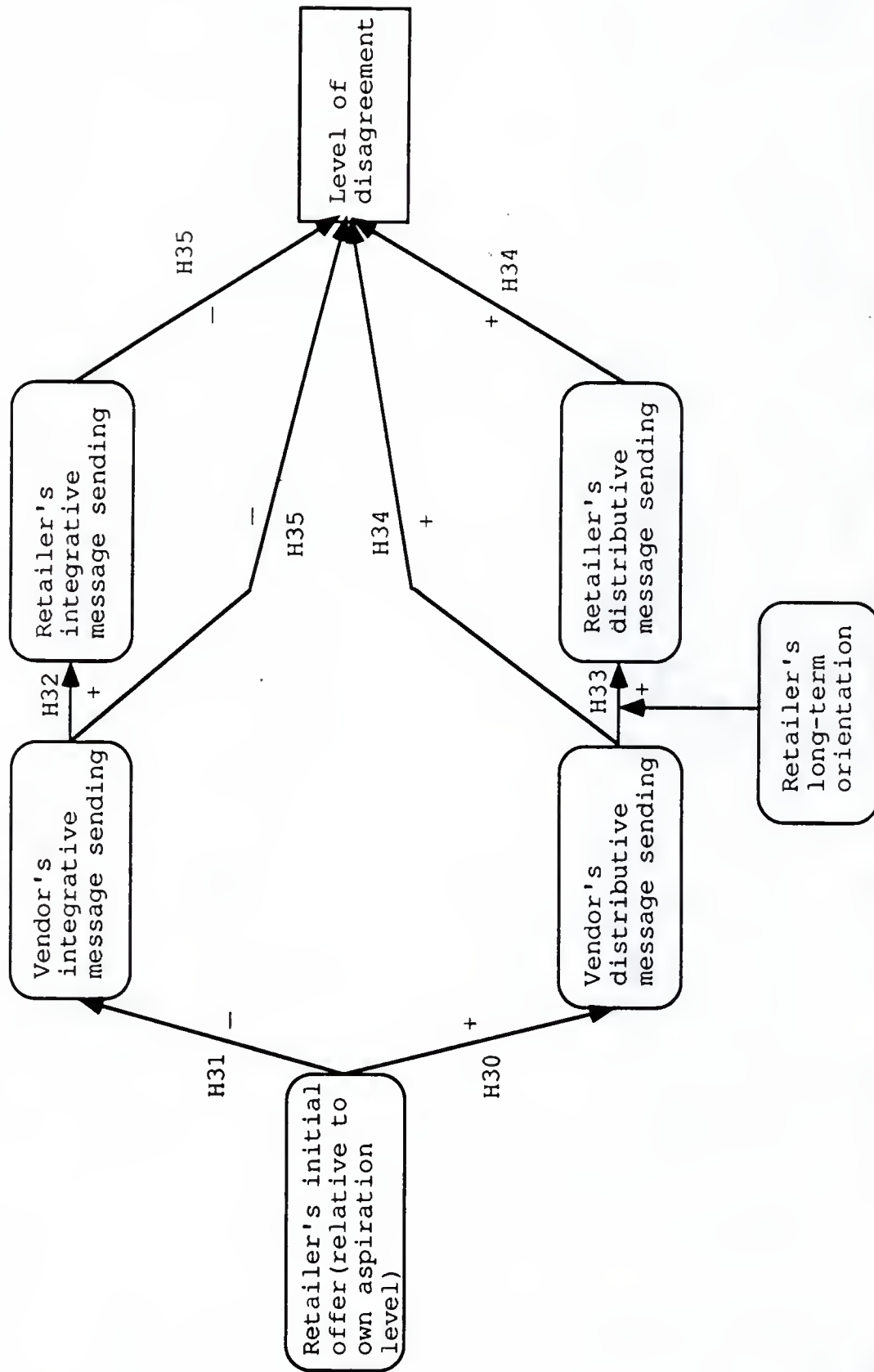


Fig 3-6: Antecedents of the Level of Disagreements Between Retailers and Vendors

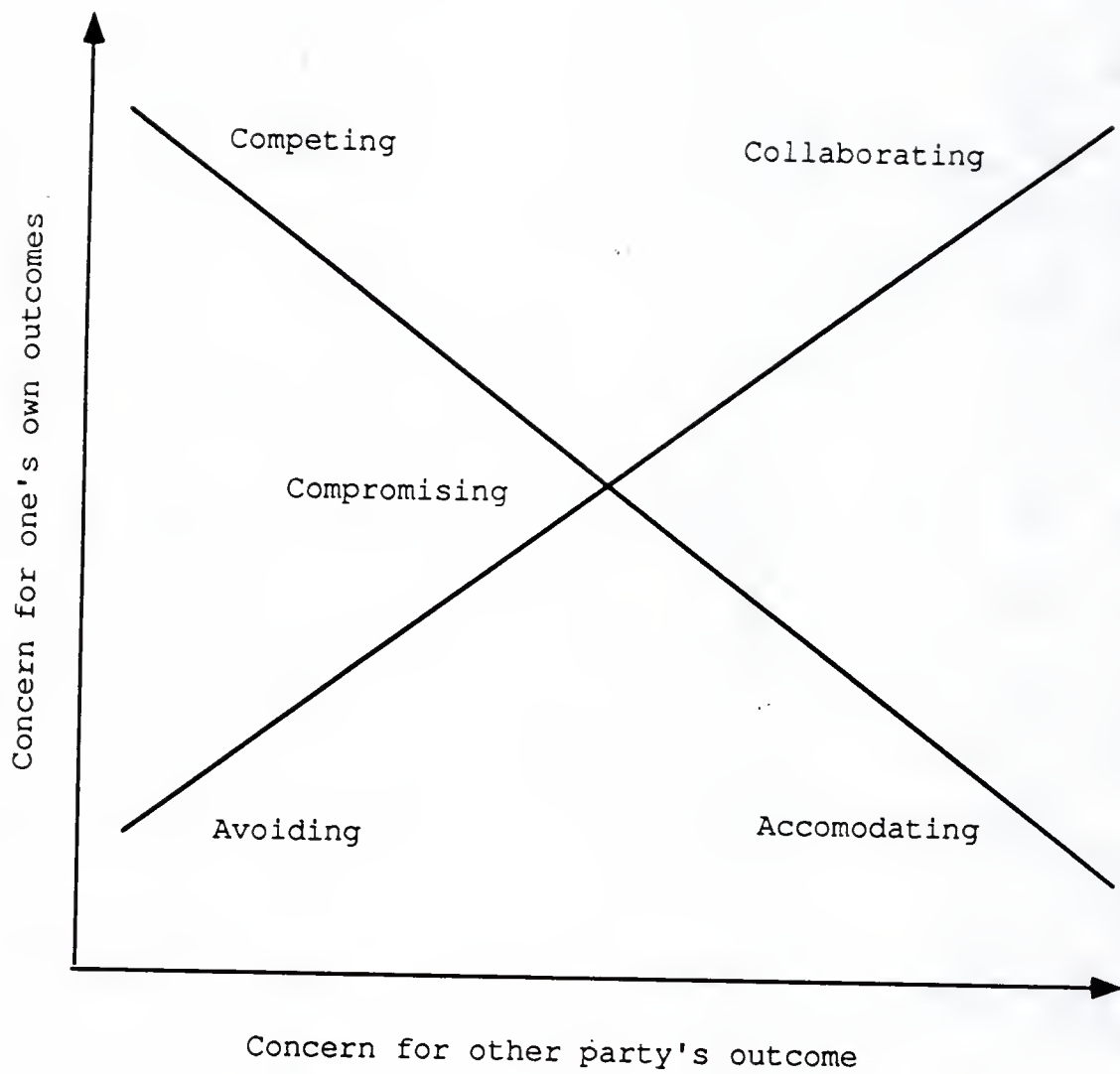


Fig. 3-7: Styles in Conflict Resolution

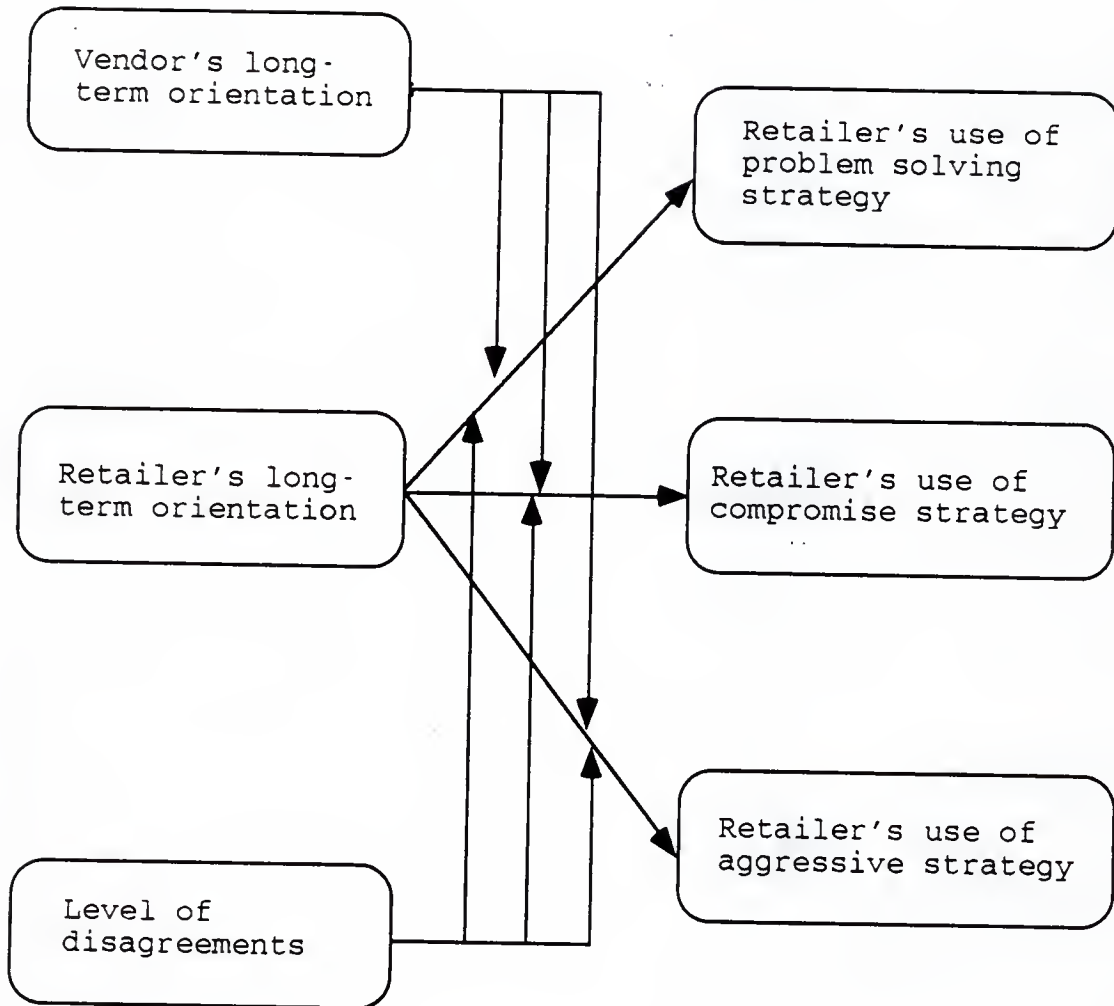


Fig. 3-8: Determinants of Retailer's Conflict Resolution Strategy

Under conditions of high disagreement

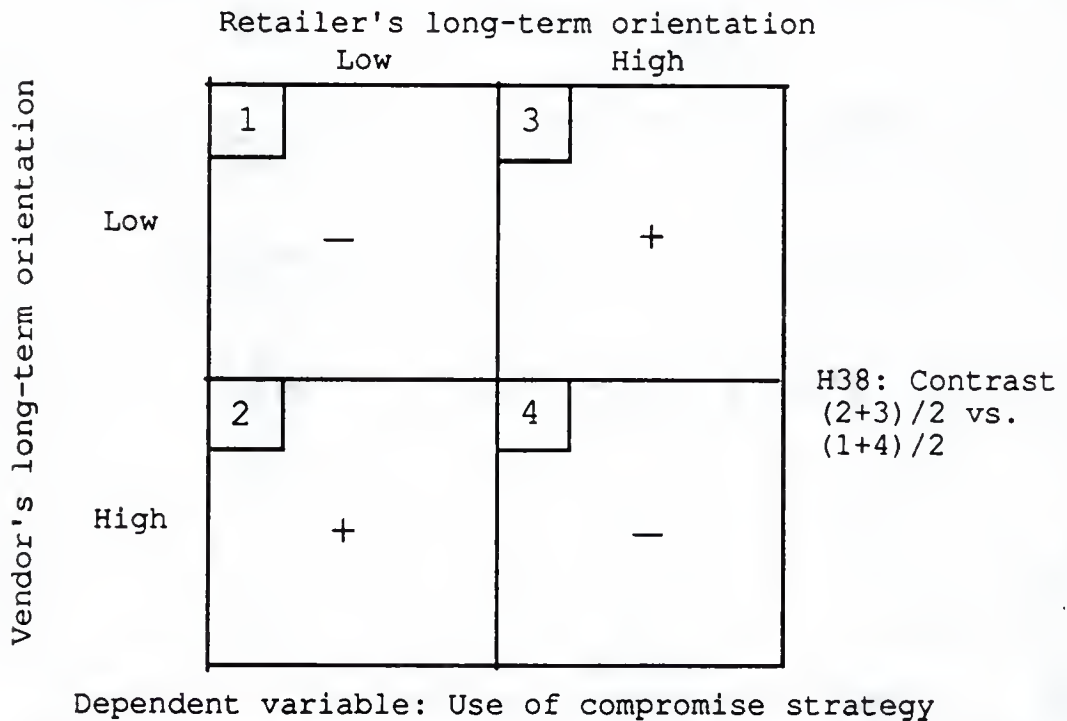
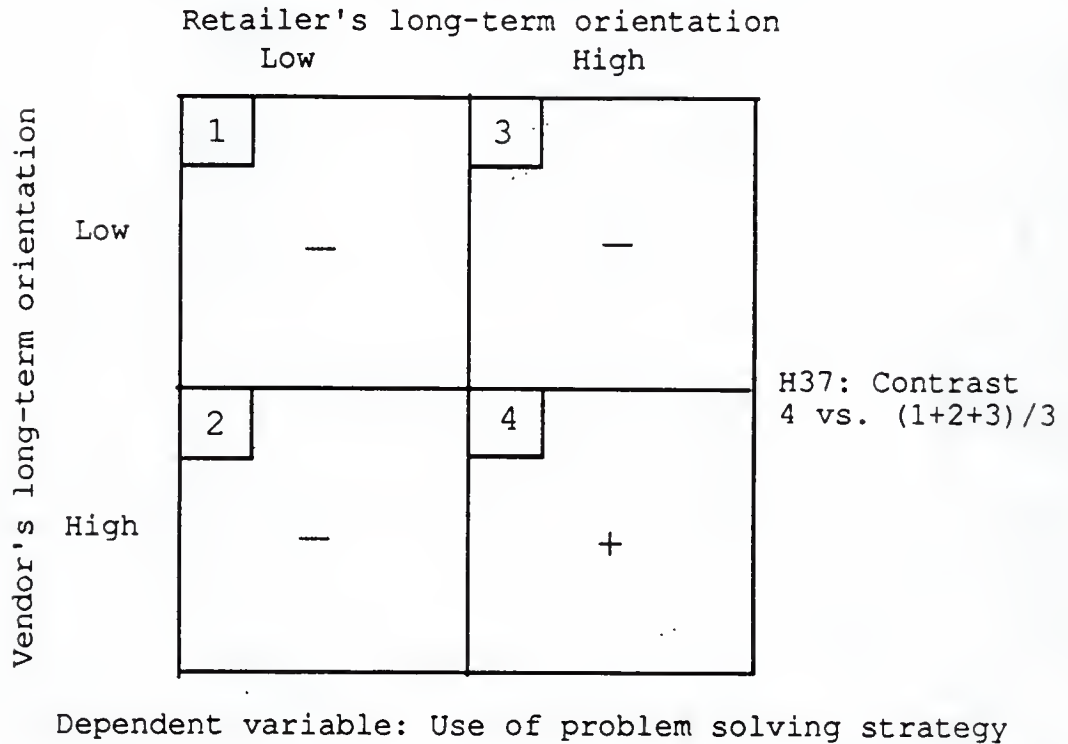


Fig 3-9a: Hypotheses related to the Retailer's use of Problem Solving and Compromise Conflict Resolution Strategies

Under conditions of high disagreement

		Retailer's long-term orientation	
		Low	High
Vendor's long-term orientation	Low	1 +	3 —
	High	2 —	4 —

Dependent variable: Use of aggressive strategy

H39: Contrast 1 vs $(2+3+4)/3$

Fig 3-9b: Hypotheses related to the Retailer's use of Aggressive Conflict Resolution Strategies

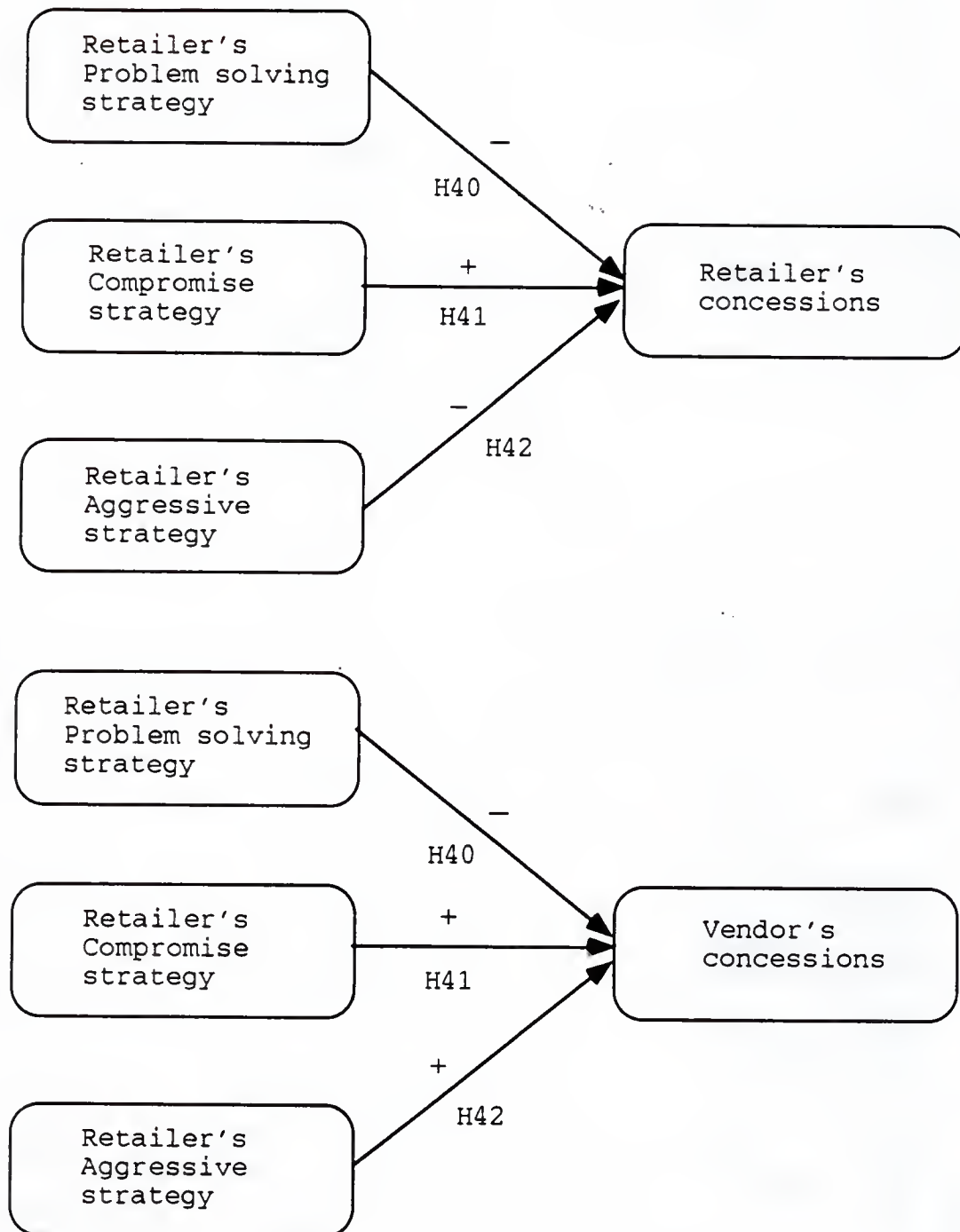


Fig. 3-10: Effect of Retailer's Conflict Resolution Strategies on Retailer's and Vendor's Concessions

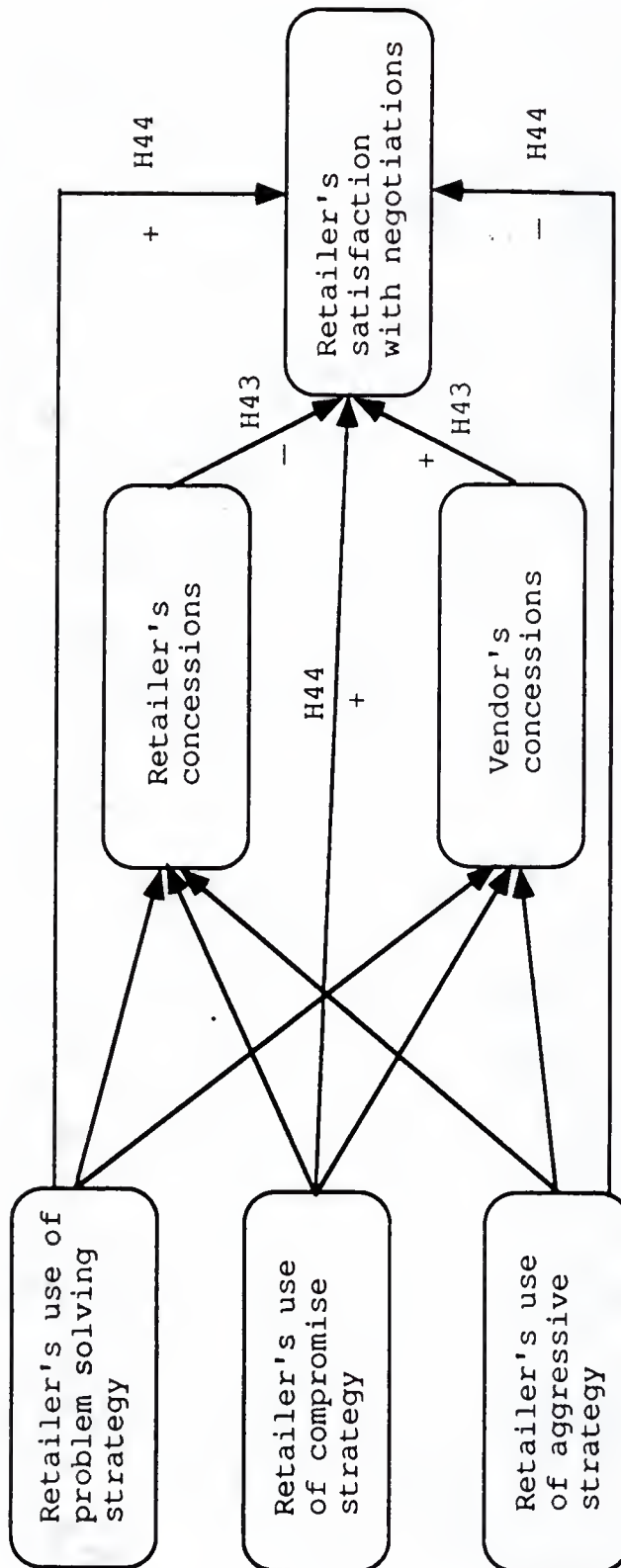


Fig. 3-11: Effect of Retailer's Conflict Resolution Strategies on Retailer's and Vendor's Concessions and Retailer's Satisfaction with Negotiation

CHAPTER 4 METHODOLOGY

Overview

Retail buyers from six department stores and their resources provided information on their relationship and a major negotiation in which they were engaged. This chapter deals with the methodology used for collecting data and developing measures of constructs related to negotiations. Section one covers issues dealing with research setting, questionnaire development, and respondent solicitation. Section two covers the development of measures.

Research Setting, Questionnaire Development, Respondent Solicitation and Data Collection

Research Setting

The industry

The channel members examined in the empirical portion of this dissertation are major department store chains and their vendors. The department stores offer a wide variety of products to customers including men's and women's clothing, and accessories and thus provide an apt setting for studying negotiations across a broad spectrum of products. The merchandise is procured by a formal buying organization and involves distinct buying personnel such as retail buyers, who are responsible for buying specific product categories.

Although each retail buyer deals with 30-40 vendors, 5-10 vendors in each category contribute to approximately 80% of their sales volume in that category. These vendors are referred to as core vendors and retailers often, have long-term relationships with such vendors. In these buyer-vendor relationships there are no intermediaries and negotiations takes place with vendors or their sales representatives.

The negotiation between a buyer and vendor takes place in a Retail Market. These retail markets are similar to trade fairs, and are held in specific places all across United States and abroad where vendors display their merchandise and retail buyers place their orders. The retail markets are held about 3-4 months in advance of the oncoming seasons (Christmas, Pre-spring, Spring, Summer, Fall). Most of the negotiations between vendors and retail buyers take place either in retail markets or after the visit by retail buyers to these retail markets.

The retailing industry is an apt setting for studying the effect of short/long relationships on negotiation process and outcomes. In a retail setting, negotiations regularly occur between retail buyers and vendors and both parties are often the sole decision makers in such negotiations. In contrast to the industrial buying situation, the buying center is composed of few individuals who are solely responsible for the profitability of their accounts. The small buying center eliminates the need to include other members of the buying organization. Further, the retail

setting offers considerable variation in the nature of relationships (short and long-term), merchandise, uncertainty of market environments, and the degree of competition. A test of the model proposed in this dissertation under such circumstances would lead to strong credence to the generalizability of the findings.

Unit of analysis

The ideal unit of analysis would be the retail buyer-vendor dyad. However, there are significant problems in collecting a large sample of matched pairs. Therefore, the dissertation focuses only on individual level analysis from the retail buyer's perspective.

Respondents

The respondents, retail buyers, are in a good position to know the requirements of the firm for a product category. The retail buyers have total control over a product category and are fully responsible for the profitable performance of that product line. Most retail buyers in major department stores handle goods worth \$15-\$30 million. This indicates a position of significant fiscal responsibility with respect to the purchase of a product line. Thus, the responses on the questionnaire capture the opinions and attitudes of key decision makers in these negotiations.

Questionnaire Development

Pretesting

The first phase of the dissertation field work consisted of meeting with five buyers from a department store chain.¹ It was evident during this meeting that issues considered in this dissertation were of substantial interest to buyers in this department store. The exploratory interviews also indicated substantial variation in buyer-vendor relationships.

A draft of a questionnaire was developed and sent to a total of 14 buyers in two different department store chains. The department store used in the exploratory phase mentioned above was not included in this phase. Seven buyers from both department stores were administered the questionnaire through the contact person in the store's personal department. Each buyer was asked to fill up the entire questionnaire and during the process indicate if the questions were "answerable, clear, and relevant." Subsequently, the investigator set up personal interviews with 12 of the 14 buyers and went through the responses to the entire questionnaire with each buyer. These interviews resulted in several improvements to the questionnaire, as indicated in the next section.

¹ Though buyers from this department store chain were used in the final data collection, care was taken to ensure that the buyers who were interviewed as a part of the pretest were not included in the final sample.

Pretest results

The major improvement from the pretest was the inclusion of several negotiation issues which the investigator had not considered originally. All the recommendations were included to make the list of negotiation issues completely exhaustive. This resulted in 14 major negotiation issues instead of 8. Further, the pretest revealed that only some of the issues were discussed during a typical negotiation. Hence, a "Discussed/Not Discussed" column was added to identify the issues which were discussed during a negotiation encounter. Apart from this main recommendation, several other suggestions were made by retail buyers. These suggestions led to the deletion of irrelevant items, items that were vague, awkwardly worded, or "too academic," questions which could not be answered by the buyer, or questions which asked for confidential information. Finally, wording was changed to a retail parlance to improve the clarity of questions.

The questionnaire

The final form of the questionnaire had two separate parts. The first part (see Appendix A) was 6 pages long and required 20-25 minutes to complete while the second part (see Appendix B) was 10 pages long and required 30-35 minutes to complete. The first part of the questionnaire (which will be referred to as Part A) dealt with retail buyers attitudes towards developing a long-term relationship and antecedents affecting such an orientation. The constructs included in

Part A were individual characteristics such as trust, and long-term orientation, organizational constructs such as transaction specific investments, and power imbalance and environmental variables such as environmental uncertainty, and degree of competition. The second part of the questionnaire (which will be referred to as Part B) focused on constructs related to the negotiation between a retail buyer and vendor. Part B measured the retail buyer's perception of initial offers, importance of various issues, concessions, and conflict resolution strategies employed in the entire negotiation. All questions were short and not beyond the comprehension level of the retail buyer. The questions were worded such that retail buyers were able to provide candid and clear information. To encourage the buyers to participate in this project, a cover letter was attached (See Appendix A and B). This cover letter promised complete confidentiality of information and as an incentive offered a summary report on their relationship with vendors compared to other buyers.

The questions were mainly of three types: fill in a value, 7 point Likert Scale items anchored by strongly agree/strongly disagree, and 7 point semantic differentials. The first part of the questionnaire was grouped into five sections: characteristics of the resource, nature of relationship, orientation of the relationship, market conditions, and buyer's profile. The second part of the questionnaire was organized into six sections. These were

initial offers made by retailer and vendor, messages sent by retailer and vendor during the negotiation, disagreements and resolution of conflicts, concessions made by retailer and vendor, negotiation outcomes and difficulty of the retailer with recalling negotiations.

All retail buyers taking part in this survey were asked to respond initially to Part A. In Part A, the respondents had to choose a vendor based on a set of criteria (see the next part for more details) and answer the questions with respect to that particular vendor. After receiving the completed first part, the retail buyers were mailed the second part (Part B) a week before their actual market visit. Retail buyers were instructed to complete Part B after their market visit and culmination of negotiations with the vendor mentioned in Part A. Part B was deliberately sent as close as possible to the date of market visit to ensure complete recall of all details of the negotiation. A similar questionnaire was also sent to the vendor at the same time so that both, the retail buyer and vendor would respond to the same negotiation (this information was not utilized in this dissertation).

Selection bias of respondents

A pretest of respondents (retail buyers) revealed that most buyers were inclined to select long-term vendors in answering Part A. Such a selection bias was likely to reduce the variance associated with constructs such as long-term

orientation of a retail buyer. To reduce the selection bias of respondents, and increase the variance associated with constructs of interest (short/long-term orientation), four different forms of Part A were created. A 2x2 matrix with two levels of nature of relationship (short versus long) and two levels of importance of product (moderately important versus very important) was created. Each potential respondent was randomly assigned a cell from the 2x2 matrix. For example, a buyer was asked to choose a vendor with whom the buyer had a short-term relationship and the product supplied by vendor was a moderately important product to the retailer. Pretests with retailers also revealed that some retail buyers dealt only with long-term vendors. To accommodate such respondents, an alternative criterion was provided along the one indicated above. The instructions asked retail buyers to use the alternative criterion only if they did not have a single vendor who conformed to the first criterion.

Key informant bias

Phillips (1981) has criticized the use of key informants to study questions about the firm and its environment. Phillips has argued that since organizational characteristics are distinct from individual characteristics, measurement of organizational characteristics require research methods quite different from that used for individuals. Phillips assessed the reliability and validity of reports from multiple informants with that obtained from key informants and found

that the key informant method failed to serve as a valid indicator of organizational characteristics. As a result, Phillips recommended using several informants at different levels in the organization, constructing questions in a way that required less demanding social judgments of the informant and using questions that were less prone to distortion by respondents.

The data collection method used here attempts to follow the recommendations made by Phillips. Informants (Retail buyers) were in complete control of all activities concerning the particular vendor and took all the important decisions and thus, had all the information necessary to respond to the questionnaire accurately. In fact, it was clear based on personal interviews and pretests that retail buyers were the best possible informants for this study. All questions focussing on the negotiation constructs used in Part B could be best answered only by retail buyers. Therefore, the key informant problem should not affect Part B. However, Part A contained questions related to organizational and environmental characteristics such power, dependence, transaction specific investments, and environmental uncertainty. Following Phillips' (1981) suggestion Part A was pretested to ensure that questions dealing with organizational characteristics were simple, easy to understand and unambiguous. Incorporation of the second solution suggested by Phillips to find multiple sources of information was very difficult in this particular context.

Further, asking a Divisional Merchandise Manager to fill up a host of questions related to environmental characteristics at a product category level was found to be too burdensome and impractical. Accordingly, the basic thrust of this study was to minimize measurement error of the respondents rather than using multiple sources of information.

Respondent Solicitation

To obtain confidential information from the retail buyers, the retailer must agree to sponsor the study. Another benefit of a sponsored study is that respondents (retail buyer) are likely to take the study more seriously.

Participating retailers

Retailers participating in this project were sponsors of the Center for Retailing Education and Research. The Center for Retailing focuses on retail education and research on various aspects of retailing. Retailers who were involved with the Center for Retailing Education and Research and had at least 30 buyers in their organization were asked to participate in this study.

Dealing with the retailers

Before contacting the retailing firms, the researcher obtained endorsement and support of the Center for Retailing Education and Research at the University of Florida. The Center for Retailing endorsed the project and allowed the use of the Center's name in soliciting cooperation from retailing

firms. Eight retailing firms were sent a letter of solicitation which included a brief description of the project, its purpose, and a sample copy of the questionnaire to be completed by retail buyers. These letters were sent to the head of Recruitment/ College Relations / Personnel Departments. A total of seven retailing firms agreed to participate in this project.² Each retailing firm participating in this study was sent thirty questionnaires to be distributed throughout the buying department. The coordinators in each retailing firm were told to distribute the questionnaires such that all the departments in the firm were represented. Thus, a total of 180 questionnaires (Part A) were sent to the retail buyers. However, within a month one firm decided to back out of the project due to certain external contingencies. The final sample consisted of six retailing firms, to whom a total of 150 questionnaires were sent.

Follow-up with retail buyers

Each retail buyer who responded to the first questionnaire was sent a second questionnaire which focused on negotiation between the retail buyer and vendor. The second part was sent a week before the date of market visit to ensure complete recall of the negotiation conducted during the market visit. A similar questionnaire was sent to the

² The firm which did not participate in the study cited a strict policy of confidentiality of information about the resources.

vendor.

Most retail buyers responded to the first part within a month. The average time of response was 29 days from the day the first part of the questionnaire was sent. Within 15 days of sending the first part, telephone follow-up was done to encourage the retail buyers to respond quickly. The main reasons for the delay were that the retail buyers were busy, or their market visits were after 2 or 3 months.³

Data Collection

Response rate

Part A was sent to 150 retail buyers in six retail department stores. A total of 124 responded indicating a response rate of 82.67 %. This response rate compares favorably with those reported in similar multifirm channel studies. All the 124 respondents who participated in the first phase were sent the second questionnaire. A total of 104 retail buyers responded to Part B indicating a response rate of 83.87 %.⁴ Part B also contained self-report scales on a respondent's difficulty with recalling information about

³ Retail buyers were instructed to fill Part A about 2-3 weeks before they went to retail market. This was done to ensure that the retail buyer described the relationship with a vendor with whom the retail buyer was going to negotiate in a retail market.

⁴ The response rate would be 69.33% if the number of responses to Part B (104) were compared to the total number of participating buyers in Part A (150) instead of comparing it to the number of buyers who responded to Part A (124). The response rate using 150 respondents instead of 124, is clearly a conservative estimate of the response rate for Part B.

the negotiation process and outcomes. All respondents who averaged less than 4 on a 7 point scale were eliminated. This resulted in the elimination of 4 out of the 104 questionnaires, resulting in a sample size of 100 for the second part. Clearly, most of the respondents were able to recall their negotiations with vendors.

The number of respondents in each cell of the 2X2 matrix for Part A and Part B in terms of the nature of their relationship and the importance of the product is shown in Table 4-1.

Nonresponse bias

Nonresponse bias was assessed comparing the early and late respondents as suggested by Armstrong and Overton (1977). In part A 85% of the questionnaires were received well before the last 15%. Two groups were formed based on this criterion. The two groups were compared using t-tests. No significant differences were found on a number of variables such as number of vendors, experience with vendors, and experience in retailing industry. Therefore, nonresponse bias does not appear to be a significant issue. A stronger test of nonresponse bias would have been to contact the nonrespondents (26) and obtain some information on the variables indicated above. The researcher attempted to follow-up on nonrespondents but as a result of the high turnover in the retailing industry, the follow-up was not successful.

Development of Measures

Overview

Thirty constructs, each measured with multiple items were measured in this study. The critical step in the construct validation of these constructs involves the assessment of internal consistency and unidimensionality.

As a first step, the use of item-total correlations in the construction of unidimensional scales has long been advocated (Nunnally 1978; Churchill 1979). Often, items having a correlation of less than 0.40 were excluded from further analysis. However, as Gebring and Anderson (1988) point out that an item-total analysis may fail to discriminate between sets of indicators that represent different, though correlated factors.

As a result, the first step used in item purification and assessment of unidimensionality was an exploratory factor analysis.⁵ This involved factor analyzing a set of items through principal component analysis to obtain preliminary assessment of dimensionality of a construct. If the exploratory factor analysis indicated a single factor, all items whose factor scores were greater than 0.5 were retained. However, if multiple factors were obtained from the

⁵ Exploratory factor analysis will be referred to as EFA and confirmatory factor analysis will be referred to as CFA in all future references to these issues.

PCA, the factors were rotated using Varimax procedure to obtain the best factor pattern. Once again, all items either loading on more than one dimension or having a factor loading of less than 0.4 were eliminated from subsequent analysis. The items obtained from the exploratory factor analysis were further subjected to a confirmatory factor analysis (CFA) using LISREL 7 (Joreskog and Sorbom 1985). A single-factor representation was used for each set of congeneric items. Those items which showed adequate fit with the construct were used for further analysis. As a last step, all the items remaining from the CFA procedure were checked for overall reliability by calculating a reliability coefficient such as coefficient alpha.

Non-negotiation Constructs

Dependence of a retailer on vendor (DEPROV)

The dependence of a retailer on vendor captures the extent to which a retailer is dependent on the vendor to obtain certain resources or outcomes which the retailer cannot obtain elsewhere (Gaski 1984). The items of this construct focus on the extent to which the retailer is dependent on vendor, considers the vendor an important part of business, finds the vendor difficult to replace, and has difficulty in making up sales volume if the vendor was replaced.

Initially, a set of 12 items were proposed to capture this construct. The first step involved doing EFA on the 12 items purported to capture this construct along with items representing dependence of vendor on retailer (DEPVOR) and power imbalance (PIMB).⁶ The PCA revealed three distinct factors. The 12 items were now subjected to EFA with Varimax rotation. The resulting factor pattern resulted in three items being discarded due to poor loadings on the first dimension, which represented DEPROV. The 9 remaining items from were subjected to a CFA by using LISREL 7. One item from the 9 was associated with high modification index and respecification of model eliminated this item. All the 8 items were significantly different from zero as indicated by individual t-values. After the acceptance of an adequate LISREL model for this item set, its reliability was calculated. The coefficient alpha of 0.944 for this measure indicated high reliability. Table 4-1 indicates the items used to measure the construct.

Dependence of a vendor on retailer (DEPVOR)

This scale is similar to the previous one and captures the dependence of a vendor on retailer as perceived by the retailer.

⁶ In the EFA and subsequent CFA, constructs which were conceptually related but distinct were used. Although this results in a strong test of convergent and discriminant validity, it eliminates items which might represent more than one construct. In this situation, power imbalance, dependence of retailer on vendor and dependence of vendor on retailer were considered to be conceptually related constructs.

A set of 6 items were proposed to capture this construct. The first step involved doing a EFA on the 6 items along with items representing dependence of retailer on vendor (DEPROV) and power imbalance (PIMB). As indicated earlier, the EFA resulted in three distinct factors. The resulting Varimax rotated factor pattern resulted in three items being discarded due to poor loadings on the second dimension, which represented DEPVOR. The 3 remaining items were subjected to a CFA by using LISREL 7. One item from the 3 was associated with high modification index and respecification of model eliminated this item. The remaining 2 items were significantly different from zero as indicated by individual t-values. After the acceptance of an adequate LISREL model for this item set, its reliability was calculated. The coefficient alpha of 0.55 for this measure indicates reasonable reliability. Table 4-2 indicates the items used to measure this construct.

Power imbalance (PIMB)

Power imbalance is the degree to which a retailer has more power compared to a vendor or vice versa. A high degree of power imbalance indicates asymmetry in power between the retailer and vendor.

Three items were initially used to measure this construct. The Varimax rotated pattern obtained from EFA indicated that all three items loaded significantly on the third dimension i.e. power imbalance. The CFA using LISREL 7

indicated that only 2 out of the 3 items were significant as indicated by t-values. The coefficient alpha for the 2 item measure is 0.698 which is comparable to reliability obtained for this measure in previous studies (Anderson and Weitz 1989). Table 4-3 describes the items used to measure this construct.

Convergent and discriminant validity of dependence of retailer on vendor (DEPROV), dependence of vendor on retailer (DEPVOR), and power imbalance (PIMB)

The convergent validity of all the three constructs was indicated by significant t-values associated with each item. The convergent validity was confirmed by modification indices of less than 5.0 for all the constrained parameters. Though the chi-square statistics of the overall model was significant⁷, the X^2/df was less than 3.0 (2.19). Further, other fit indices showed a reasonable fit of the data to the model (Root mean square residual = 0.05, Goodness of fit = 0.83).

The discriminant validity of this model was assessed by comparing this model to a model which constrained the correlation between the constructs to be 1.0. In other words, the constructs were deemed to be conceptually the same. If

⁷ For the X^2 to be a valid test statistic, observed variables should have a multivariate normal distribution, the analysis should be based on covariance matrix and the sample size should be large. Most of these assumptions are not valid for the present data set. Hence, X^2 is used to reflect the goodness of fit rather than as a test statistic. Higher X^2 values indicate a bad fit while lower X^2 values indicate a good fit. A X^2/df of less than 3.0 is considered a good fit.

the chi-squares from the two models were significantly different, one would reject the null hypothesis that the constructs were conceptually same. The chi-square difference between the two models with 3 degrees of freedom was 32.22, which was significant at 0.01 level indicating discriminant validity.

Transaction specific investments by a retailer (TSIR)

This scale describes the investments made by the retailer in physical assets, procedures, and people that are tailored to their relationship with a particular vendor. This is based on items developed by Anderson (1985).

Based on items developed by Anderson (1985), five items were proposed. These five items along with the items for transaction specific investments by vendor (TSIV) were subjected to EFA. The EFA suggested a two factor model with the first dimension representing the transaction specific investment by retailer (TSIR). The EFA also resulted in the elimination of 1 item whose loading was less than 0.4 in the Varimax rotated factor solution. The next step involved CFA on the remaining items. The CFA indicated that only 3 out of the 4 items had significant t-values and low modification indices. The reliability as indicated by coefficient alpha was found to be 0.79. Table 4-4 indicates the items used for measuring this construct.

Transaction specific investment by a vendor (TSIV)

This scale is similar in format to the preceding one, but it describes the investments made by a vendor in the relationship.

Five items were proposed based on previous studies. These five items along with the items for transaction specific investments by retailer (TSIR) were subjected to EFA. The EFA suggested a two factor model with the second dimension representing the transaction specific investment by vendor (TSIV). The next step involved CFA on the remaining items. The CFA indicated that only 2 out of the 3 items had significant t-values and low modification indices. The reliability as indicated by coefficient alpha was found to be 0.70. Table 4-5 indicates the items used for measuring this construct.

Convergent and discriminant validity of transaction specific investment by a vendor (TSIV) and transaction specific investment by a retailer (TSIR)

Both transaction specific investment by vendor (TSIV) and transaction specific investment by retailer (TSIR) which are conceptually related but distinct were used to test the convergent and discriminant validity. The convergent validity was indicated by significant loadings and t-values of each item on respective factors. This was confirmed by modification indices of less than 5.0 for all the constrained parameters. The chi-square statistics of the overall model was not significant ($p = 0.677$) thus, indicating a good fit

of the model to the data. Further, other fit indices confirmed the good fit of the data to the model (Root mean square residual = 0.02, Goodness of fit = 0.991).

The discriminant validity of this model was assessed by comparing this model to a model which constrained the correlation between the constructs to be 1.0. The chi-square difference between the two models with 1 degree of freedom was 32.4, which was significant at 0.01 level indicating strong discriminant validity.

Retailer's satisfaction with previous outcomes (SATOUT)

This scale describes the degree of satisfaction of retail buyers with outcomes obtained in previous negotiations.

Four items were used to describe the construct. Unlike other constructs, this scale was measured by a seven point semantic differential scale with anchors being pleased-displeased, contented-disgusted, sad-happy, and satisfied-dissatisfied. An EFA of the four items with items of satisfaction with the relationship (SATREL)⁸ indicated a two-dimensional structure with the second dimension being satisfaction with outcomes. The CFA using LISREL 7 yielded similar results with significant loadings on all except one item. The t-values associated with all the items were significant at 0.05 level. The reliability as assessed by

⁸ SATREL (satisfaction with all aspects of a relationship) was used to test the discriminant validity of satisfaction with outcomes (SATOUT) construct.

coefficient alpha was 0.92. The items used to describe this construct are shown in Table 4-6.

Convergent and discriminant validity of retailer's satisfaction with previous outcomes (SATOUT)

Two constructs, satisfaction with past negotiation outcomes (SATOUT) and satisfaction with the relationship (SATREL) which are conceptually related but distinct were used to test the convergent and discriminant validity of satisfaction with negotiation outcomes (SATOUT). The convergent validity was indicated by significant loading on each item representing satisfaction with outcome (SATOUT). The t-value associated with each item was significant at 0.05 level. The overall fit of the model to data was good based on the chi-square statistics which was not significant ($p = 0.254$). Further, other fit indices showed a good fit of the data to the model (Root mean square residual = 0.02, Goodness of fit = 0.979).

The discriminant validity of this model was assessed by comparing this model to a model which constrained the correlation between the constructs to be 1.0. The chi-square difference between the two models with 1 degree of freedom was 7.45, which was significant at 0.05 level indicating strong discriminant validity.

Retailer's trust in vendor organization (ORGTRS)

This scale describes a retail buyer's trust of vendor's organization. The items use to measure this construct reflect the retail buyer's assessment of the vendor's organization in

terms of its reliability, honesty, and various procedural aspects of their relationship.

Based on the conceptual definition of trust, ten items were proposed. The set of 10 items were subjected to EFA along with items representing reputation⁹ and individual trust. Nine out of ten items were found to load on a single dimension. A CFA using LISREL 7 indicated that 8 out of 9 items loaded uniquely and significantly on organizational trust. The reliability of this construct as assessed by coefficient alpha was 0.93. Table 4-7 describes the items used to measure this construct.

Retailer's trust in vendor's representative (INDTRS)

This scale is similar to the previous scale, but it describes retail buyer's trust in vendor's representative. Based on the definition of trust in the literature (Lindskold 1977), a multidimensional construct was proposed. A total of 19 items which tapped into different dimensions of trust such as reliability, knowledge, honesty, and benevolence were proposed.

Since, the proposed construct was multidimensional in nature, adequate items were chosen from all four dimensions. These set of items were subjected to a EFA to ascertain the multidimensionality of the construct. The EFA indicated unidimensionality with the first factor explaining 92% of the

⁹ Reputation of the vendor, another related construct was used to test the discriminant validity of individual and organizational trust.

total variance. This led to the rejection of the multidimensionality of individual trust. The EFA also indicated that five items did not load highly on the unidimensional trust construct (QB24, QB28, QB30, QB36, QB43). These items were eliminated from further analysis. All the remaining 14 items were now subjected to CFA along with items representing organizational trust and reputation. Only 9 out of 14 items loaded significantly and uniquely on individual trust as indicated by t-values. The reliability as indicated by coefficient alpha was 0.92. Table 4-8 describes the set of items describing individual trust.

Convergent and discriminant validity of retailer's trust in vendor representative (INDTRS) and retailer's trust in vendor organization (ORGTRS)

Three constructs, reputation of a resource, retailer's trust in vendor organization and trust in their representative, which are all conceptually related but distinct, were used to test the convergent and discriminant validity of the set of constructs. The convergent validity was indicated by significant loading of each item on the relevant factor. The t-value associated with each item was significant at 0.05 level. The overall fit of the model to data is not good based on the significant chi-square statistics ($p = 0.000$) and Goodness of Fit index (GFI = 0.754). However, other fit indices such as Root mean square

residual ($=0.05$) and modification index (< 5.0) showed a reasonable fit of the data to the model.¹⁰

The discriminant validity of this model was assessed by comparing this model to a model which constrained the correlation between the constructs to be 1.0. The chi-square difference between the two models with 3 degrees of freedom was 286.54, which was significant at 0.01 level indicating strong discriminant validity.

Retailer's expectation of future interactions (EFI)

Expectation of future interactions describes the perception of the retailer that both parties are likely to continue their relationship in future. This measure does not capture the retailer's desire to continue the relationship with the vendor but reflects the retailer's expectation about future interactions. This is similar to measures of expectation used in previous studies (Anderson and Weitz 1989; Heide and John 1990).

Initially, four items were proposed to describe the construct. An EFA was conducted on the four items along with items representing retailer's long-term orientation (RLTO) and vendor's long-term orientation (VLTO). The results of EFA indicated a three factor model. Three items out of four measuring expectation of future interactions loaded significantly on the dimension representing retailer's

¹⁰ A respecified model which indicated that reputation and organizational trust were the same construct was rejected and this model did not explain the data better than the model used here.

expectation of future interactions (EFI). The three items from EFA were subjected to a CFA using LISREL 7. All the three items showed significantly high loadings on the construct as indicated by t-values. The reliability as indicated by coefficient alpha was found to be 0.75. Table 4-9 describes the measures used for capturing the construct.

Retailer's long-term orientation (RLTO)

This scale describes the orientation of a retail buyer towards developing long-term relationship with vendors. This scale captures the desire of a retail buyer to have a long-term relationship, and is different from the previous scale which captured the expectation of future interactions.

Based on the definition of the construct, 21 items were proposed. These items were subjected to a EFA along with items capturing expectation of future interactions (EFI) and vendor's long-term orientation (VLTO). Fourteen items out of 21 items loaded on the second factor which represented retailer's long-term orientation. The CFA on the remaining items using LISREL 7, indicated that only 8 out of the 14 items loaded significantly on the construct as indicated by significant t-values. Reliability as indicated by coefficient alpha was 0.94 for the remaining items. Table 4-10 describes the items used for capturing the long-term orientation of a retail buyer.

Vendor's long-term orientation (VLTO)

This scale is similar to the preceding one, but it describes the orientation of a vendor towards developing a long-term relationship with a retailer. Once again, this construct represents a long-term orientation of a vendor and not just expectations of continuity of a relationship.

Based on the previous scale, a set of 13 items were developed. The 13 items were subjected to a EFA along with items representing retailer's long-term orientation (RLTO) and retailer's expectation of future interactions (EFI). Two items from the set of 13 had low factor loadings on the relevant factor and were removed from further analysis. The 11 items were subjected to CFA using LISREL 7 which resulted in 5 items having significant factor loadings. The reliability of the scale as indicated by coefficient alpha was 0.91. Table 4-11 describes the items used for this construct.

Convergent and discriminant validity of retailer's long-term orientation (RLTO), vendor's long-term orientation (VLTO) and retailer's expectation of future interactions (EFI)

Three constructs, retailer's expectation of future interactions (EFI), retailer's long-term orientation (RLTO) and vendor's long-term orientation (VLTO) which are conceptually related but distinct, were used to test the convergent and discriminant validity of these constructs. The convergent validity was indicated by significant loading of each item on the relevant factor. The t-value associated with

each item was significant at 0.05 level. The overall fit of the model to data was good based on Goodness of Fit index (GFI = 0.823), Root mean square residual (= 0.04) and Modification index (< 5.0)

The discriminant validity of this model was assessed by comparing this model to a model which constrained the correlation between the constructs to be 1.0. The chi-square difference between the two models with 3 degrees of freedom was 105.59, which was significant at 0.01 level indicating strong discriminant validity.

Environmental uncertainty (ENVUNC)

This scale describes the inability of a retail buyer to accurately assess the environment and reflects the uncertainty associated with predicting the demand for their products, the changes in consumer preferences, and the changes in competition. This is based on a similar scale developed by John and Weitz (1988) to measure environmental uncertainty.

A set of 8 semantic differential items were proposed. The set of 8 items were subjected to a EFA analysis which indicated two main factors. To get a better factor pattern, the factors were rotated using Varimax procedure. This resulted in two distinct dimensions, with three items loading on the first dimension and four items loading on the second dimension. Conceptually, the first dimension reflected the diversity aspect of environmental uncertainty. It was a function of the extent to which new products, and new

competitors were entering the market. This dimension was referred to as "environmental diversity". The second dimension reflected the uncertainty due to fluctuations in demand. This construct captured the uncertainties associated with predicting demand for products, monitoring trends, and making accurate sales forecasts. Therefore, this dimension was referred to as "environmental volatility".

Environmental diversity (EDIV)

This scale describes the uncertainty in the environment due to new competitors, and new products.

Table 4-12 indicates the items reflecting the environmental diversity. The CFA of the three items representing diversity and the four items capturing environmental volatility using LISREL 7 indicated significant loadings for all three items. The reliability as assessed by coefficient alpha was 0.64.

Environmental volatility (EVOL)

This scale describes the environmental uncertainty due to an inability to make accurate forecasts, predict demand for products, and monitor trends.

A CFA on four items using LISREL 7 indicated significant loadings on environmental volatility for all the four items. The reliability as indicated by coefficient alpha was 0.75. Table 4-12 indicates the items reflecting environmental volatility.

Convergent and discriminant validity of environmental diversity (EDIV) and environmental volatility (EVOL)

The convergent validity of environmental diversity and volatility was indicated by significant loadings of items on respective factors. The t-value associated with each item was significant at 0.05 level. The overall fit of the model to data was good based on chi-square ($p = 0.321$), Goodness of Fit index ($GFI = 0.961$), and Root mean square residual ($RMSR = 0.04$).

The discriminant validity of this model was assessed by comparing this model to a model which constrained the correlation between the constructs to 1.0. The chi-square difference between the two models with 1 degree of freedom was 6.54, which was significant at 0.05 level indicating good discriminant validity.

Summary

All the measures used to represent the constructs showed high convergent and discriminant validity. The convergent validity as indicated by significant loadings, and reliability coefficients greater than 0.60, indicating a satisfactory benchmark for exploratory studies (Nunnally 1971). The discriminant validity was indicated by chi-square difference tests and in all cases resulted in significance, indicating that the constructs were conceptually different.

Negotiation Constructs

Overview

Negotiation between retailers and vendors occurs on a number of issues. These issues are quality of the product, price and markup, delivery, gross margin, exclusive selling rights, freight expenses, training, in store promotion, cooperative advertising, markdown money, full guarantee, quantity discounts, returns, and premarking and packing. Although this list is exhaustive, most negotiations occur on a subset of these issues. To accommodate a negotiation on a subset of issues, the retailers were asked to respond only on issues which were discussed in such negotiations.

Retailer's initial offer with respect to retailer's aspiration level (RIORAL)

Retailer's initial offer refers to the first offer made by the retailer in a negotiation. Since aspiration level or the goal of a negotiator determines the initial offer, this construct was measured relative to the retailer's aspiration level. Thus, this construct reflects the degree to which the retailer's initial offer is close to or farther off from the retailer's own aspiration level before the beginning of actual negotiations.

Retailer's initial offer compared to own aspiration level (RIORAL) was measured on a 7 point semantic differential with anchors being "much worse than our final expectations" on one end and "much better than our final

expectations" on the other. The middle point of this scale (4) represented an initial offer which was the same as their aspiration level. The retailer's initial offer was measured on all issues discussed during the negotiations.

Although this scale measured retailer's initial offer on multiple issues, a single score for this construct was obtained by averaging across the issues. Since a single item measure was used for this construct, assessment of unidimensionality and reliability was not possible.

Vendor's initial offer with respect to vendor's aspiration level (VIOVAL)

Vendor's initial offer refers to the first offer made by a vendor in a negotiation (as perceived by retailer). Since aspiration level or goal of vendors determines their initial offer, this construct was measured relative to the vendor's aspiration level. Thus, this construct reflects the degree to which the vendor's initial offer is close to or farther off from the vendor's own aspiration level before the beginning of actual negotiations.

Vendor's initial offer compared to own aspiration level (VIOVAL) was measured in the same fashion as the previous construct.

Retailer's message sending behavior

Retailer's message sending behaviors are the communication tactics used by a retailer in a negotiation. Such tactics allow retailers to get insight into the vendor's motivational structure, goals, values, and constraints.

Past research in bargaining (Angelmar and Stern 1978) has found two different sets of negotiation behaviors: integrative and distributive. To capture these two constructs, a set of 18 items were developed based on previous research and interviews with various retail buyers. All the items were 7 point Likert scale items. To assess the dimensionality and test the validity of previous two-factor models, all the 18 items were factor analyzed. The resulting principal component analysis indicated two distinct factors. As a result, the factors were rotated using the Varimax rotation procedure. The resulting factor structure confirmed previous research which had found two distinct sets of message sending behaviors. To further verify this structure, a confirmatory factor analysis was done which revealed a similar structure. The next step involved developing a scale for the retailer's integrative and distributive message sending behaviors.

1) Retailer's integrative message sending behavior (RINTMSG). Retailer's integrative message sending behavior captures the extent to which retail buyers use integrative messages in their negotiations.

A total of 7 items were used to capture integrative behaviors by retailers. The exploratory factor analysis indicated that 6 out of the 7 items loaded on the second factor i.e. retailer's integrative behavior. The CFA by Lisrel 7 showed that only 4 out of the 6 items had significant factor loadings. Table 4-13 indicates the items

and their factor loadings. The reliability as indicated by coefficient alpha was 0.76.

2) Retailer's distributive message sending behavior (RDISMSG). Retailer's distributive message sending behavior is the extent to which the retail buyers use distributive messages in their negotiations.

A total of 7 items were used to capture distributive behavior by retailers. The exploratory factor analysis indicated that 6 out of the 7 items loaded on the first factor i.e. retailer's distributive behavior. The CFA by Lisrel 7 showed that 4 out of the 6 items had factor loadings which were significant. Table 4-13 indicates the items and their factor loadings. The overall reliability as indicated by coefficient alpha was 0.69.

Convergent and discriminant validity retailer's integrative (RINTMSG) and distributive (RDISMSG) message sending behavior

The convergent validity of the two measures was indicated by the significant loadings of the items as indicated by t-values. Further, the overall model fit the data very well as indicated by fit measures. The chi-square was not significant ($p = 0.866$), the goodness of fit was 0.97, and the root mean square residual was 0.04.

To test the discriminant validity of retailer's integrative and distributive messages, a model with correlated constructs was compared to a nested model with constructs having a correlation of 1.0. The chi-square

difference between the two models (67.39) with 1 degree of freedom was significant at 0.01 level suggesting that the two constructs, retailer's integrative and distributive message sending behaviors were conceptually different.

Vendor's message sending behavior

Vendor's message sending behaviors are communication tactics used by vendors in negotiations as perceived by retailers. Such message sending behaviors allow vendors to get insight into a retailer's motivational structure, goals, values.

1) Vendor's integrative message sending behavior (VINTMSG). Vendor's integrative message sending behavior is a retailer's perception of the extent to which vendors use integrative messages in their negotiations.

A total of 7 items were used to capture integrative behaviors by vendors. The items parallel the items used for retailer's integrative message sending behavior. The exploratory factor analysis indicated that 6 out of the 7 items loaded on the first factor i.e. vendor's integrative behavior. The CFA by Lisrel 7 showed that only 4 out of the 6 items had significant factor loadings. Table 4-14 indicates the items and their factor loadings. The overall reliability as indicated by coefficient alpha was 0.72.

2) Vendor's distributive message sending behavior (VDISMSG). Vendor's distributive message sending behavior is a retailer's perception of the extent to which vendors use

distributive messages in their negotiations.

A total of 7 items were to capture distributive behaviors by vendors. The exploratory factor analysis indicated that 6 out of the 7 items loaded on the second factor i.e. vendor's distributive behavior. The CFA by Lisrel 7 showed that 4 out of the 6 items had factor loadings which were significant. Table 4-14 indicates the items and their factor loadings. The overall reliability as indicated by coefficient alpha was 0.70.

Convergent and Discriminant validity of vendor's integrative (VINTMSG) and distributive (VDISMSG) message sending behavior

The convergent validity of the two measures was indicated by the significant loadings of the items on their respective factors as indicated by t-values. Further, the overall model fit the data very well as indicated by goodness of fit measures. The chi-square was not significant ($p = 0.066$), the goodness of fit was 0.93, and the root mean square residual was 0.05.

To test the discriminant validity of vendor's integrative and distributive messages, a model with correlated constructs was compared to a nested model with constructs having a correlation of 1.0. The chi-square difference between the two models (64.59) with 1 degree of freedom was significant at 0.01 level suggesting that the two constructs, vendor's integrative and distributive message sending behaviors were separate constructs.

Retailer's conflict resolution strategies

Retailer's conflict resolution strategy is the set of tactics adopted by retail buyers during negotiations to resolve conflicts. Blake and Mouton (1964,1970), and Rahim (1983) have found that in organizational settings, managers adopted five distinct conflict resolution styles. Following their suggestion, items representing the five conflict resolution styles were developed. The five conflict resolution styles were avoiding, accommodating, compromising, competing, and collaborating.

The items representing the five conflict resolution styles were subjected to an exploratory factor analysis. The results indicated that instead of a five dimensional solution found in previous studies only three dimensions were significant. These dimensions were labelled aggressive or competing, problem solving or collaborating, and compromising strategies based on the domain of items.¹¹

1) Retailer's problem solving conflict resolution strategy (PROBSOL). Retailer's problem solving conflict resolution strategy focuses on integrating the objectives of both parties in a negotiation to resolve conflicts.

A total of 8 items were proposed to capture the problem solving strategy of the retailer. These were based on

¹¹ The two dimensions which were not significant, reflected strategies which may not be relevant in a retail context. Both dimensions suggested conflict resolution strategies where the retail buyers did not care about their own outcomes.

interviews with retail buyers and from existing measures for this construct (Rahim 1983, Thomas and Kilman 1974). The items were subjected to an exploratory factor analysis with items related to other conflict resolution strategies. Only 7 of the 8 items showed significant loadings on the factor representing problem solving strategy. To test the convergent validity, the items were subjected to a CFA by LISREL 7. This procedure resulted in significant loadings for 6 out of the 7 items. All the items had significant t-values. Items which loaded significantly are shown in Table 4-15. The reliability of the scale as indicated by coefficient alpha was 0.88.

2) Retailer's aggressive conflict resolution strategy (AGGRES). Retailer's aggressive conflict resolution strategy focuses on using aggressive tactics such as threats, phony arguments to resolve conflicts.

A total of 6 items were proposed to capture the aggressive strategy of the retailer. These were based on interviews with retail buyers and from existing measures for this construct (Rahim 1983, Thomas and Kilman 1974). These items were subjected to an exploratory factor analysis along with items related to other conflict resolution strategies. All the 6 items showed significant loadings on the factor representing aggressive strategy. To test the convergent validity, the items were further subjected to a CFA by LISREL 7. This procedure resulted in significant loadings for 4 out of the 6 items. All the items had significant t-values. Items which loaded significantly are shown in Table 4-15. The

reliability of the scale as indicated by coefficient alpha was 0.90.

3) Retailer's compromise conflict resolution strategy (COMPRO). Retailer's compromise conflict resolution strategy focuses on adopting a compromise solution to resolve conflicts.

A total of 10 items were proposed to capture the compromising strategy of the retailer. These were based on interviews with retail buyers and from existing measures for this construct (Rahim 1983, Thomas and Kilman 1974). These items were subjected to an exploratory factor analysis along with items related to other conflict resolution strategies. Only 8 items showed significant loadings on the factor representing compromise strategy. To test the convergent validity, these items were further subjected to a CFA by LISREL 7. This procedure resulted in significant loadings for 7 out of 8 items. All the items had significant t-values. Items which loaded significantly are shown in Table 4-15. The reliability of the scale as indicated by coefficient alpha was 0.82.

Convergent and discriminant validity of retailer's problem solving (PROBSOL), aggressive (AGGRES) and compromise (COMPRO) conflict resolution strategies

To test the convergent validity, the items related to all the three conflict resolution strategies were subjected to a CFA. The items representing the three constructs loaded significantly on respective dimensions as indicated by their

t-values. Although the overall model resulted in significant chi-square, the RMSR was 0.06 which was within tolerable limits. Further, the ratio of chi-square to degrees of freedom was less than 3.0 suggesting a reasonable model.

The discriminant validity was tested by a nested model approach. The chi-square from the above model was tested against a model in which the correlation between the constructs was fixed to 1.0. The chi-square difference between the two models was 304.11 with 3 degrees of freedom. This rejected the null hypothesis that the constructs were the same and indicated conceptually different conflict resolution strategies.

Retailer's importance of negotiation issues (RIMP)

This construct captures the importance attached by the retail buyer to various negotiation issues.

Retailer's importance of negotiation issues (RIMP) was measured on a seven point semantic differential scale with anchors being "unimportant" and "very important". The retailer's importance of issues was measured on the exhaustive set of 14 issues rather than the limited set of issues discussed in the negotiation.

This construct was used as a weight attached by retail buyers to the different issues while making concessions.

Vendor's importance of negotiation issues (VIMP)

This construct captures the retailer's perception of importance attached to various negotiation issues by vendors.

As in other constructs discussed here, this reflects the retailer's perception of vendor's importance of various issues and not the vendor's own importance rating.

Vendor's importance of negotiation issues (VIMP) was measured on a seven point semantic differential scale with anchors being "unimportant" and "very important". The vendor's importance of issues was measured on an exhaustive set of 14 issues rather than the limited issues discussed in the negotiation.

This construct was used as a weight attached by vendors to various issues while making concessions.

Level of disagreement on negotiation issues (DISAGR)

This construct captures the extent of disagreement between the retailer and vendor on issues being negotiated.

Disagreement on negotiation issues was measured by a seven point semantic differential scale with anchors being "No disagreement" and "Intense disagreement". The respondents were asked to indicate their disagreement only on issues which were discussed in the negotiation. An overall level of disagreement was obtained by averaging across the issues. Thus, no indicants of reliability of the scale could be obtained.

Retailer's concessions on issues (RCONS)

This construct captures the concessions made by the retailer on various issues discussed during the negotiations.

The retailer's concession on negotiation issues was

measured by a seven point semantic differential scale with anchors being "Made very few concessions" and "Made a lot of concessions". The respondents were asked to indicate their concessions only on issues that were discussed in the negotiation.

Vendor's concessions on issues (VCONS)

This construct captures the concessions made by the vendor on various issues discussed during the negotiations as perceived by a retailer.

Vendor's concession on negotiation issues was measured by a seven point semantic differential scale with anchors being "Made very few concessions" and "Made a lot of concessions". The respondents were asked to indicate their concessions only on issues which were discussed in the negotiation.

Retailer's concessions on issues weighted by retailer's importance of issues (RCNXIM)

This construct captures the concessions made by retailers weighted by their importance of various issues. In other words, a concession on an issue which is very important to the retailer would indicate greater concessions on the part of a retailer than concessions on a less important issue.

This measure was obtained by multiplying the concession on an issue by its importance and then averaging it across all issues negotiated.

Vendor's concessions on issues weighted by vendor's importance of issues (VCNXIM)

This construct captures the concessions made by vendors weighted by their importance of various issues as perceived by the retailer. In other words, a concession on an issue which is very important to the vendor would indicate greater concessions on the part of a vendor than concessions on a less important issue.

This measure was obtained by multiplying the concession on an issue by its importance and then averaging it across all issues negotiated.

Retailer's satisfaction with negotiation outcomes (RSAT)

Retailer's satisfaction with negotiation outcomes indicates a retailer's overall level of satisfaction with outcomes.

This construct was measured using a two item semantic differential scale with anchors being "very dissatisfied-very satisfied", and "very little-a lot". Both the items loaded significantly on this factor. The items are shown in Table 4-17.

Summary

All the measures which were used to capture the negotiation between the retailer and vendor showed adequate convergent and discriminant validity. The convergent validity was indicated by goodness of fit indices, chi-square, reliability coefficients and t-values of individual

parameters. All the measures indicated convergent validity. The discriminant validity was indicated by chi-square differences among nested models and in all cases, this resulted in significant difference in chi-squares.

Table 4-1

Frequency of Respondents Based on the Nature of Relationship
and Product Importance

a) PART A

		Product Importance		
		Moderately Important	Very Important	
Nature of Relationship	Short-term	26	22	48
	Long-term	46	30	76
		72	52	124

a) PART B

		Product Importance		
		Moderately Important	Very Important	
Nature of Relationship	Short-term	22	17	39
	Long-term	35	26	61
		57	43	100

Table 4-2

Dependence of a Retailer on Vendor

<u>Item</u> <u>No.</u>	<u>Item*</u>	<u>Loading **</u> (Factor 1)
QA2	This resource's product lines are essential to round out our product offering.	0.89
QA9	We are dependent on this resource.	0.81
QA10	This resource is important to our business.	0.86
QA18	This resource is crucial to our future performance.	0.86
QA21	If our relationship was discontinued with this resource, we would have difficulty in making up sales volume in our trading area.	0.82
QA29	This resource's products generate a high sales volume in my department.	0.84
QA34	We do not have a good alternative to this resource.	0.68
QA36	If our relationship was discontinued, we would have difficulty replacing this resource.	0.82

* All items are Likert scales items anchored by strongly disagree (1) and strongly agree (7)

** These loadings are the lambda estimates from the LISREL model

Coefficient alpha is 0.944

Table 4-3

Dependence of a Vendor on Retailer

<u>Item</u> <u>No.</u>	<u>Item*</u>	<u>Loading**</u> (Factor 2)
QA14	We are a major outlet for this resource in our trading area.	0.80
QA26	If our relationship with this resource was discontinued, the resource would have difficulty selling their products in our trading area.	0.47

* All items are Likert scales items anchored by strongly disagree (1) and strongly agree (7)

** These loadings are the lambda estimates from the LISREL model

Coefficient alpha is 0.55

Table 4-4

Power Imbalance

<u>Item</u> <u>No.</u>	<u>Item*</u>	<u>Loading**</u> (Factor 3)
QA3	We possess more power than this resource in our relationship.	0.68
QA11	This resource is more powerful than us. ***	0.79

* All items are Likert scales items anchored by strongly disagree (1) and strongly agree (7)

** These loadings are the lambda estimates from the LISREL model

*** Reversed item

Coefficient alpha is 0.698

Combined model with Dependence of Retailer on Vendor,
Dependence of Vendor on Retailer, and Power Imbalance

Chi-square with 51 d.f = 111.81 (p = 0.000)

Goodness of fit index = 0.83

Root mean square residual = 0.05

Table 4-5

Transaction Specific Investments by the Retailer

<u>Item</u> <u>No.</u>	<u>Item*</u>	<u>Loading**</u> (Factor 1)
QA7	We have made significant investments in displays, trained salespeople etc. dedicated to our relationship with this vendor.	0.97
QA33	We have invested a great deal in building up this resource's business.	0.64
QA37	We have invested substantially in personnel dedicated to this resource.	0.64

* All items are Likert scales items anchored by strongly disagree (1) and strongly agree (7)

** These loadings are the lambda estimates from the LISREL model

Coefficient alpha is 0.79

Table 4-6

Transaction Specific Investments by the Vendor

<u>Item</u> <u>No.</u>	<u>Item*</u>	<u>Loading**</u> (Factor 2)
QA15	This vendor has tailored its merchandise and procedures to meet the specific needs of our company.	0.97
QA23	This resource has gone out of their way to link us with their business.	0.53

* All items are Likert scales items anchored by strongly disagree (1) and strongly agree (7)

** These loadings are the lambda estimates from the LISREL model

Coefficient alpha is 0.70

Overall fitness of the model with Transaction specific investments by the retailer and vendor

Chi-square with 4 d.f is 2.32 (p = 0.677)

Goodness of fit index is 0.991

Root mean square residual is 0.02

Table 4-7

Satisfaction with Past Negotiation Outcomes

<u>Item</u> <u>No.</u>	<u>Item*</u>	<u>Loading**</u> (Factor 1)
	Describe your feelings with respect to the negotiation outcomes with this resource in the past one year:	
QB48B	Sad-happy ***	0.86
QB48C	Contented-disgusted	0.87
QB48D	Dissatisfied-satisfied ***	0.96

* All items are Semantic Differential scale items anchored by 1 and 7.

** These loadings are the lambda estimates from the LISREL model

*** This indicates a reversed item.

Coefficient alpha is 0.94

Overall fitness of the model including Satisfaction with the Relationship and Satisfaction with the Negotiation Outcomes

Chi-square with 4 d.f is 5.34 (p = 0.254)

Goodness of fit index is 0.979

Root mean square residual is 0.023

Table 4-8

Retailer's Trust in Vendor Organization

<u>Item</u> <u>No.</u>	<u>Item*</u>	<u>Loading**</u> (Factor 1)
QB3	Promises made by this resource are reliable.	0.85
QB6	This resource is not open dealing with us.***	0.74
QB8	This resource has gone out of its way to help us out.	0.79
QB11	This resource has been consistent in terms of their policies.	0.82
QB14	This resource considers our interests when problems arise.	0.83
QB15	This resource cares for us.	0.88
QB18	This resource has made sacrifices for us in the past.	0.62

* All items are Likert scales items anchored by strongly disagree (1) and strongly agree (7)

** These loadings are the lambda estimates from the LISREL model

*** This indicates a reversed item.

Coefficient alpha is 0.93

Table 4-9

Retailer's Trust in Vendor's Representative

<u>Item</u> <u>No.</u>	<u>Item*</u>	<u>Loading**</u> (Factor 2)
QB26	This resource's representative has gone out of his/her way to help us out.	0.87
QB31	The resource's representative is always on top of things related to his/her job.	0.70
QB33	The resource's representative offers innovative solutions to problems.	0.78
QB34	The resource's representative has problems answering our questions. ***	0.58
QB35	I have a close relationship with the resource's representative.	0.78
QB37	I like the resource's representative.	0.73
QB41	This resource's representative cares for us.	0.84
QB42	This resource's representative has made sacrifices for us in the past.	0.76
QB44	I feel the resource's representative has been on our side.	0.82

* All items are Likert scales items anchored by strongly disagree (1) and strongly agree (7)

** These loadings are the lambda estimates from the LISREL model

*** This indicates a reversed item.
Coefficient alpha is 0.96

Overall fitness of the model which includes
Reputation of the Resource, Retailer's Trust in the Vendor
Organization and Trust in the Representative

Chi-square with 149 d.f is 281.51 (p = 0.000)
Goodness of fit index is 0.754
Root mean square residual is 0.057

Table 4-10

Retailer's Expectation of Future Interactions

<u>Item</u> <u>No.</u>	<u>Item*</u>	<u>Loading**</u> (Factor 1)
QA12	The likelihood of this relationship breaking down is high. ***	0.53
QA20	We expect to interact with this resource in future.	0.73
QA25	We do not expect this relationship to continue for long. ***	0.88

* All items are Likert scales items anchored by strongly disagree (1) and strongly agree (7)

** These loadings are the lambda estimates from the LISREL model

*** Reversed item

Coefficient alpha is 0.75

Table 4-11

Retailer's Long-Term Orientation

<u>Item No.</u>	<u>Item*</u>	<u>Loading** (Factor 2)</u>
QC1	We would like to develop a long-term relationship with this resource.	0.85
QC2	We are willing to make sacrifices to help this resource from time to time.	0.66
QC3	We believe that over the long-run this relationship will be profitable.	0.88
QC4	Any concessions we make to help out this resource will even out in the long-run.	0.69
QC5	We focus on long-term goals in this relationship.	0.85
QC7	We expect this resource to be working with us for a long time.	0.92
QC8	Mainitaining a long-term relationship with this resource is important to us.	0.89

* All items are Likert scales items anchored by strongly disagree (1) and strongly agree (7)

** These loadings are the lambda estimates from the LISREL model

*** This indicates a reversed item.

Coefficient alpha is 0.94

Table 4-12

Vendor's Long-Term Orientation

<u>Item</u> <u>No.</u>	<u>Item*</u>	<u>Loading**</u> (Factor 3)
QC26	This resource is interested in developing long-term relationship with us.	0.75
QC28	This resource believes that over the long-run their relationship with us will be profitable.	0.87
QC31	This resource has long-term goals when dealing with us.	0.78
QC32	The resource expects to be supplying to us for a long time.	0.88
QC33	Maintaining a long-term relationship with us is very important to this resource.	0.84

* All items are Likert scales items anchored by strongly disagree (1) and strongly agree (7)

** These loadings are the lambda estimates from the LISREL model

*** This indicates a reversed item.

Coefficient alpha is 0.89

Overall fitness of the model which includes
Retailer's Expectation of Future Interactions, Long-
Term Orientation, and Vendor's Long-Term Orientation

Chi-square with 101 d.f is 180.70 (p = 0.000)

Goodness of fit index is 0.823

Root mean square residual is 0.045

Table 4-13

Environmental Uncertainty

<u>Item</u> <u>No.</u>	<u>Item*</u>	<u>Loading**</u>	
		Factor 1 (Env.Div.)	Factor 2 (Env.Vol.)
	How would you describe the market for the product you buy from this vendor compared to other products in general?		
QD2	Stable market shares - Volatile market shares	0.75	
QD4	Few new products - Many new products	0.49	
QD8	Few new competitors - Many new competitors	0.54	
QD3	Easy to monitor trends - Difficult to monitor trends		0.65
QD5	Stable industry volume - Volatile industry volume		0.73
QD6	Sales forecasts are accurate - Sales forecasts are inaccurate		0.65
QD7	Unpredictable demand - Predictable demand***		0.57

* All items are semantic differential scale items with the end points being 1 and 7.

** These loadings are the lambda estimates from the LISREL model

*** This indicates a reversed item.

Coefficient alpha is	0.64	0.75
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Overall fitness of the models for Environmental Diversity and Volatility

Chi-square with 13 d.f is 14.79 (p = 0.321)

Goodness of fit index is 0.961

Root mean square residual is 0.046

Table 4-14

Retailer's Message Sending Behavior

<u>Item No.</u>	<u>Item*</u>	<u>Loading**</u>	
		Factor 1 (Int.)	Factor 2 (Dist.)
QBR3	We communicated our priorities clearly to the resource.	0.62	
QBR9	We were committed to our initial position during the negotiation.	0.57	
QBR12	We kept the resource well informed of our needs throughout the negotiation.	0.94	
QBR14	We indicated a need for both parties to be fully satisfied.	0.57	
QBR5	We threatened to break off negotiations with the resource.		0.69
QBR6	We indicated that we wanted to deal with other resources.		0.37
QBR7	We made implicit threats to the resource.		0.77
QBR8	We expressed displeasure with the resource's behavior.		0.59

* All items are Likert scale items with the end points being 1 and 7.

** These loadings are the lambda estimates from the LISREL model

Coefficient alpha is	0.76	0.69
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Overall fitness of the models for Retailer's Integrative and Distributive Messages

Chi-square with 19 d.f is 12.44 (p = 0.866)
 Goodness of fit index is 0.97
 Root mean square residual is 0.043

Table 4-15

Vendor's Message Sending Behavior

<u>Item</u> <u>No.</u>	<u>Item*</u>	<u>Loading**</u>	
		Factor 1 (Int.)	Factor 2 (Dist.)
QBV3	The resource communicated their priorities clearly to us.	0.63	
QBV4	The resource asked many questions about our priorities.	0.43	
QBV11	The resource emphasized the rewards available to both parties from a successful deal.	0.62	
QBV12	The resource kept us well informed of their needs throughout the negotiation.	0.85	
QBV2	We felt that the resource was hiding something from us.		0.37
QBV5	The resource threatened to break off negotiation with us.		0.53
QBV7	The resource made implicit threats to us.		0.85
QBV8	The resource expressed displeasure with our behavior.		0.71

* All items are Likert scale items with the end points being 1 and 7.

** These loadings are the lambda estimates from the LISREL model

Coefficient alpha is 0.72 0.70

Overall fitness of the models for Vendor's Integrative and Distributive Messages

Chi-square with 19 d.f is 31.12 (p = 0.05)

Goodness of fit index is 0.93

Root mean square residual is 0.07

Table 4-16

Retailer's Use of Conflict Resolution Strategies

<u>Item No.</u>	<u>Item*</u>	<u>Loading**</u>	
		Factor 1 (Compro)	Factor 2 Probsol)
C3	We try to find a compromise solution.	0.88	
C6	We try to soothe the resource's feelings and preserve our relationship.	0.73	
C9	We try to do what is necessary to avoid tensions.	0.52	
C17	We try to find a fair combination of gains and losses for both of us.	0.68	
C19	We try to find a position that is intermediate between their position and our position.	0.43	
C20	We try not to hurt the resource's feelings	0.48	
C26	We propose a middle ground.	0.55	
C1	We lean toward a direct discussion of problem with this resource.		0.73
C10	We attempt to get all our concerns and issues in the open.		0.87
C11	We share the problem with the resource so that we can work it out.		0.63
C12	We tell the resource our ideas and ask them for their ideas.		0.74
C13	We try to show this resource the logic and benefits of our position.		0.73
C16	We attempt to work through our differences as quickly as possible.		0.72

* All items are Likert scale items with the end points being 1 and 7.

** These loadings are the lambda estimates from the LISREL model

Coefficient alpha is 0.82 0.88

Table 4-16 (Continued)

Retailer's Use of Conflict Resolution Strategies

<u>Item</u> <u>No.</u>	<u>Item*</u>	<u>Loading**</u> Factor 3 (Aggres.)
C22	We try to win our position.	0.91
C23	We make effort to get our way.	0.92
C24	We press to get our points made.	0.81
C25	We assert our wishes.	0.66
	Coefficient alpha ia	0.90

Overall fitness of the model which includes
Retailer's use of Compromise, Problem Solving,
and Aggressive Strategies

Chi-square with 116 d.f. is 275.3 (p = 0.00)

Goodness of fit index is 0.762

Root mean square residual is 0.079

Table 4-17

Retailer's Satisfaction with the Negotiation

<u>Item</u> <u>No.</u>	<u>Item*</u>	<u>Loading**</u> (Factor 1)
	How satisfied are you with this negotiation?	
QE4A	Very satisfied - Very dissatisfied	0.87
QE4B	Very little - A lot	0.83

* All items are Semantic Differential scale items anchored by 1 and 7.

** These loadings are the lambda estimates from the LISREL model

*** This indicates a reversed item.

Coefficient alpha is 0.91

CHAPTER 5 RESULTS

Overview

This chapter focuses on the results obtained in support of hypotheses proposed in chapter 3. Though the hypotheses developed in chapter 3 appear suited for testing through LISREL, such a procedure did not seem to be appropriate as the sample size for this study was less than 100. When the sample size decreases to a small number (less than 100), the statistical significance of individual parameters tends to decrease (Long 1983). Further, for chi-square to be used as a valid test statistic, the sample size should be large. As a result of this, the LISREL model was not used to estimate the models and test the proposed hypotheses.

The models therefore consist of a set of recursive equations which are estimated using ordinary least squares (OLS) procedures. OLS estimates obtained in systems of equations which are recursive are unbiased (Pindyck and Rubinfeld 1984). Thus, all the analyses reported here are based on OLS procedures.

Retailer's Expectation of Future Interactions

Summary of the results

According to the model shown in Figure 5-1, a retailer's expectation of future interactions is affected by the power

imbalance, environmental diversity, environmental volatility, transaction specific investments by retailer and vendor and degree of competition in the vendor market. The correlations between the variables are shown in Table 5-1. The equations used to estimate the model and the estimated standardized coefficients are given in Table 5-2.

The results of this section indicate that power imbalance has a significant negative effect on retailer's expectation of future interaction ($b_{11} = -0.324$, $p < 0.01$). This is consistent with prior research which indicates that power imbalance has a significant negative effect on channel members' expectation regarding the continuity of their relationships (Anderson and Weitz 1989).

Both dimensions of environmental uncertainty, i.e. environmental volatility and environmental diversity, were not significantly related to retailer's expectation of future interactions ($b_{13} = -0.111$, $p > 0.1$ and $b_{12} = 0.086$, $p > 0.1$). However, the sign of the regression coefficients were in the same direction as predicted. Thus, both H1 and H2 were not supported. The evidence in marketing literature regarding the effect of environmental diversity and volatility on the expectation of future interactions has been limited. Klein, Frazier, and Roth (1990) used the same dimensions of environmental uncertainty, i.e. diversity and volatility, and found that environmental volatility had a significant positive effect on the use of hierarchical organizational structure (similar to vertically integrated units) compared

to market structures in an export market. It should be noted that a positive relationship was proposed between environmental volatility and the degree of channel integration in the Klein et al. study which is in direct contrast to the hypothesis posited in this dissertation. The hypothesis in this dissertation is consistent with the notion of environmental volatility and its consequence on decision making, as proposed by Leblebici and Salancik (1981) (see next section for further discussion). Environmental diversity was not significantly related to the degree of channel integration in the Klein et al. study. The result obtained in this dissertation regarding the effect of environmental diversity on a retailer's expectation of future interactions was also nonsignificant.

The relationship between transaction specific investments by a retailer and vendor and the retailer's expectation of future interactions as proposed in H3 was not supported. Specifically, the interaction between transaction specific investments by retailer and vendor on retailer's expectation of future interactions was not significant. As a result of the nonsignificance of the interaction term, a main effect model which included transaction specific investments by the retailer and vendor was tested. The main effect model indicated that the transaction specific investments by a vendor had a significant effect on a retailer's expectation of future interactions ($b_{15} = 0.371$, $p < 0.01$) while transaction specific investments by a retailer had no effect

on the retailer's expectation of future interactions ($b_{14} = 0.027$, NS). The results obtained from the main effect model are consistent with the results obtained by Heide and John (1990) indicating that supplier's (or vendor's) investments in specific assets increase the expectations of continuity while OEM's (retailer's) investment in specific assets do not show a significant effect on expectations of continuity.

Hypothesis 4 which predicted an effect of the degree of competition in the vendor market on retailer's expectation of future interactions was not supported ($b_{16} = 0.10$, NS). Although no study has looked directly at the impact of the competition in the vendor market on expectations of future interactions, several studies have found an effect of the degree of competition on power imbalance (See Gaski 1984). Power imbalance, in turn, has been found to affect the expectation of future interactions (Anderson and Weitz 1989). Contrary to some of the findings in the literature, degree of competition has no effect on the power imbalance ($b_{31} = 0.049$, NS). Thus, H7 was not supported.

The effect of transaction specific investments by a retailer on the degree of competition in the vendor market ($b_{21} = -0.05$, NS) was not significant. Thus, H6 was not supported.

The relationship between transaction specific investments by a retailer and vendor, and power imbalance as proposed in H8 was not supported. Specifically, the interaction between transaction specific investments by

retailer and vendor on the power imbalance between the dyads was not significant. As a result of the nonsignificance of the interaction term, a main effect model which included both the transaction specific investments by the retailer and vendor was tested. The main effect model indicated that transaction specific investments by a vendor had a significant positive effect on power imbalance ($b_{33} = 0.252$, $p < 0.05$) while transaction specific investments by a retailer had a significant negative effect on power imbalance ($b_{32} = -0.257$, NS)

Discussion of significant results

The significant results in this section were the effects of power imbalance and transaction specific investments of a vendor on a retailer's expectation of future interactions. The results of this study indicate that power imbalance in a dyad significantly reduces the retailer's expectation of future interactions. This confirms the result obtained by Anderson and Weitz (1989) in a conventional manufacturer-sales agent dyad. Similar results have been obtained by researchers in bargaining and negotiation using Prisoner's Dilemma paradigm (Rubin and Brown 1975). Thus, power imbalance in a dyad, at least in conventional channels, seem to reduce the retailer's expectation of future interactions.

The second important result in this section deals with the effect of transaction specific investment by a vendor in a relationship. Transaction specific investments by a vendor

increase the retailer's expectation of future interactions. In contrast, transaction specific investment by retailer do not affect the retailer's expectation of future interactions. Heide and John (1990) obtain similar results in an industrial buyer-supplier dyad. Specifically, the investments by the supplier increased the perception of continuity while specific investments by OEM's had no effect on the expectations of continuity. These results suggest that transaction specific investments by a vendor or supplier provide strong signals to the retailer or buyer that the vendor is interested in a long-term relationship.

Another interesting result deals with the effect of transaction specific investments by a vendor on power imbalance. Transaction specific investments by a vendor increase the perception of power imbalance between a retailer and vendor. However, power imbalance has a negative effect on retailer's expectation of future interactions. In other words, transaction specific investments by vendor reflect power imbalance leading to a decrease in future interactions. This is in direct contrast to the earlier result, which indicated a positive relationship between transaction specific investments by a vendor on retailer's expectation of future interactions. A test of the two models indicates a stronger direct positive effect of transaction specific investments of a vendor on retailer's expectation of future interactions rather than an indirect effect through power imbalance. In other words, transaction specific investments

by vendors are perceived as strong signals towards the development of a long-term relationship rather than investments which create power imbalance in the dyad.

Discussion of nonsignificant results

Out of the eight hypotheses proposed, one was fully supported (H5) and two were partially supported (H3 and H8). Neither hypothesis focussing on the effects of environmental uncertainty on a retailer's expectation of future interactions was supported (H1 and H2). This result is not surprising because of the large number of studies in channels of distribution which have resulted in insignificant results for the effect of environmental uncertainty. A possible explanation is that the dimensions of environmental uncertainty are not narrowly specified. A typology of uncertainties with respect to customers, products, technology, competition etc. is likely to delineate the proper effect of environmental uncertainty on expectation of future interactions.

Contrary to economic predictions, the degree of competition in the vendor market had no effect on a retailer's expectation of future interactions (H4) or on the power imbalance (H7). One possible explanation for the lack of significant results is the measurement of competition in the vendor market rather than competition in both the vendor and retailer markets. In other words, competition in the vendor market alone does not determine the power imbalance or

the retailer's expectation of future interactions.

Presumably, an additive effect which includes the competition in the vendor and retailer markets is likely to provide strong results for the proposed hypothesis. Another explanation for the null result is that the retailers are interested in stable future interactions with vendors in spite of a competitive vendor market.

Transaction specific investments by a retailer do not significantly affect retailer's expectation of future interaction and power imbalance (H3 and H8). The implications of this result have been addressed in the previous section.

Conclusion

A retailer's expectation of future interactions with a vendor is affected by the extent to which the vendor invests in specific assets dedicated to the relationship and the extent of power imbalance in the relationship. Transaction specific investments by the vendor significantly increase the retailer's expectation of future interactions while power imbalance significantly reduces the expectation of future interactions. Environmental uncertainty and the degree of competition in the vendor market do not affect the retailer's expectation of future interactions.

Retailer's Long-Term Orientation

Summary of the results

The conceptual model indicating the antecedents of long-term orientation is shown in Figure 5-2a. The correlation matrix of the variables involved in the model is shown in Table 5-3. The series of OLS regressions used to estimate the model along with the estimated coefficients are shown in Table 5-4. All the hypotheses in this section, except H9 and H14 are supported.

As hypothesized, vendor's long-term orientation ($b_{41} = 0.341$, $p < 0.01$), retailer's trust in the vendor's representative ($b_{42} = 0.216$, $p < 0.01$), retailer's satisfaction with previous outcomes ($b_{44} = 0.178$, $p < 0.01$), retailer's expectation of future interactions ($b_{45} = 0.245$, $p < 0.01$), and dependence of a retailer on vendor ($b_{46} = 0.228$, $p < 0.01$) significantly affect retailer's long-term orientation. All the regression coefficients are significant at the 0.01 level and the signs associated with beta coefficients are in the proposed direction. Retailer's trust in a vendor organization ($b_{43} = 0.02$, NS) and the dependence of a vendor on a retailer ($b_{47} = -0.048$, NS) do not significantly affect the retailer's long-term orientation. The antecedents of retailer's long-term orientation explained 69% of the total variation in retailer's long-term orientation.

Along with the direct effect of various antecedents on long-term orientation, the model in Figure 5-2 focuses on the effect of various antecedents of retailer's long-term orientation on other antecedents. All 5 hypotheses (H15, H16, H22, H23, and H24) proposed in this section were supported. Vendor's long-term orientation significantly affected both the retailer's trust in the vendor's representative ($b_{61} = 0.609$, $p < 0.01$) as well as the trust in vendor's organization ($b_{51} = 0.462$, $p < 0.01$). Retailer's satisfaction with previous outcomes significantly affected retailer's trust in a vendor's representative ($b_{63} = 0.367$, $p < 0.01$) and the vendor's organization ($b_{53} = 0.376$, $p < 0.01$).

Figure 3-4 indicates a set of subsidiary relationships. The results indicate that power imbalance has no effect on a retailer's trust in the vendor's representative ($b_{62} = 0.045$, NS) or the vendor's organization ($b_{52} = 0.07$, NS). Thus, the result provides no support for hypotheses H17 and H18.

Transaction specific investments by a retailer increase the dependence of the retailer on a vendor ($b_{71} = 0.465$, $p < 0.01$) and transaction specific investments by a vendor significantly increase the vendor's dependence on a retailer ($b_{81} = 0.389$, $p < 0.01$), thus supporting hypotheses H19 and H20. Finally, transaction specific investments by a vendor increase the vendor's long-term orientation ($b_{91} = 0.516$, $p < 0.01$) supporting H21.

Discussion of significant results

One of the significant results in this section pertains to the effect of trust on retailer's long-term orientation. Anderson and Weitz (1989) found in a study of manufacturer-salesagents dyads that an agent's trust in their principal (manufacturer) significantly affected the agent's expectations about the continuation of the relationship. In spite of this significant effect, it was not clear whether the trust measured in the Anderson and Weitz study, captured trust between an agent and the manufacturer at an individual or organizational level. In other words, it is not clear whether the trust of the agent in the study measured agent's trust in the manufacturer's representative (individual level trust) or the agent's trust of the manufacturer's organization. This dissertation is the first study which distinguishes between trust at an individual and organizational level. The results from this study indicate that in a retailing context, trust in a vendor's representative plays a significant role in determining a retailer's long-term orientation rather than the retailer's trust in the vendor organization. This result is quite surprising considering the emphasis of channels research on organizational properties of a channel relationship (see Stern and El-Ansary 1988) to the detriment of individual aspects of a channel relationship. The results of this study indicate that more emphasis should be placed by retail

managers in training retail buyers and their vendors to develop trustful relationships.

Satisfaction with a channel relationship has been the focus of many studies in channels of distribution (Anderson and Narus 1984; Dwyer 1980; Ruekert and Churchill 1984). However, most of these studies have focussed on satisfaction as a dependent or outcome variable. In this study, satisfaction in previous periods is used as an independent variable affecting a retailer's long-term orientation. Results from this study show that satisfaction with past outcomes increases a retailer's long-term orientation. Some support for this result has been found in romantic relationships where satisfaction with the relationship positively affected the commitment of both partners to the relationship (Rusbult et al. 1991).

Another interesting result from this study deals with the effect of vendor's long-term orientation. Vendor's long-term orientation has a significant positive effect on a retailer's long-term orientation. There has been no previous study in marketing which has focussed on the development of a long-term relationship as a function of the perceptions of one channel member towards another. Further, the transaction specific investment of the vendor has a direct positive effect on the vendor's long-term orientation. This confirms the earlier conclusion that investment in transaction specific assets by a vendor send strong signals to the

retailer that the vendor is interested in developing a long-term relationship.

Discussion of nonsignificant results

The interaction between a retailer's expectation of future interactions and individual and organizational level trust, on the retailer's long-term orientation was not found to be significant. This indicates lack of support for the interaction hypothesis predicted in H13 and H14. As a result of the lack of significance, a main effects model was tested. The main effects model indicated a significant effect of a retailer's expectation of future interactions on the retailer's long-term orientation. This result is quite different from studies in bargaining (such as Gruder 1971) which have shown that expectation of future interactions alone is not a sufficient condition for cooperative behavior or positive attitude towards the partner; the partner should be perceived as fair and nonexploitative. The results from this study seem to indicate that expectation of future interactions may directly influence retailer's long-term orientation. If one considers retailer's long-term orientation as a function of the utility associated the long-term relationship and the valence towards the partner, and retailer's expectation of future interaction as the utility of the relationship, then the results are not surprising. However, the implications of this result should be taken with

some caution and future research should focus on delineating the effects of the two variables.

The hypothesis dealing with the interaction effect of a retailer's dependence on a vendor and the vendor's dependence on a retailer, on a retailer's long-term orientation was not supported. Since the interaction hypothesis was not supported, a main effect model was used for analysis. The main effect model proposed independent effects for the retailer's dependence on a vendor and the vendor's dependence on a retailer. The result obtained from the main effects model are interesting. The first result concerns the nonsignificance of the vendor's dependence on a retailer. This is really surprising as the transaction specific assets of the vendor affect the retailer's long-term orientation indirectly through vendor's long-term orientation. The transaction specific assets by the vendor increase the dependence of a vendor on the retailer. However, dependence of the vendor does not have a significant effect on a retailer's long-term orientation. The explanation for these results stems from a study by Heide and John (1990). Heide and John (1990) have indicated that dependence could occur due to a number of factors such as the magnitude of exchange, concentration of exchange, role performance, and transaction specific assets. The results in this framework clearly indicate that dependence arising out of transaction specific investments significantly affect the retailer's long-term orientation while dependence created through any other source

(such as lack of alternatives etc.) has no effect on the retailer's long-term orientation.

The results for the effect of retailer's dependence on a vendor on the retailer's long-term orientation show a pattern of results opposite to the one encountered above. The transaction specific investments of a retailer do not have a significant effect on the retailer's long-term orientation while the dependence of a retailer on the vendor has a significant effect on the retailer's long-term orientation. Thus, retailers who are dependent on their vendors, irrespective of the source of their dependence, strive towards developing long-term relationships. The results indicate an asymmetry in how retailers view their own dependence versus those of the vendors.

Another interesting result is that power imbalance has no significant effect on either the individual level trust or organizational level trust. Power imbalance lowers the expectations of future interactions with vendors. This result suggests that trust can develop even in retailer-vendor dyads which have an imbalanced power structure.

Conclusion

Retailer's long-term orientation is significantly affected by the vendor's long-term orientation, retailer's trust in a vendor's representative, retailer's expectation of future interactions, the dependence of a retailer on the vendor, and retailer's satisfaction with previous outcomes.

Retailer's long-term orientation is not affected by the retailer's trust in a vendor organization, and the extent to which the vendor depends on the retailer.

Retailer's Initial Offer

Summary of the results

The conceptual model describing the effects of retailer's and vendor's long-term orientation on retailer's initial offer is shown in Figure 5-3. The correlation matrix of the variables involved is indicated in Table 5-5. The set of OLS regression equations used to estimate the model along with the estimated regression coefficients are shown in Table 5-6.

The conceptual model for a retailer's initial offer depends on whether a retailer or the vendor makes the initial offer. As a result, the data was split into two groups based on whether the vendor or retailer made the initial offer. The model 3-5a was analyzed using data where the retailer made the initial offer. Model 3-5b was analyzed using data where the vendor made the initial offer.

In the model where the retailer made the initial offer, retailer's initial offer (relative to own aspiration level) was significantly affected by vendor's long-term orientation ($b_{102} = -0.55$, $p < 0.05$), which supported H26. This result indicates that if a vendor is perceived to be long-term oriented, the retailer's initial offer is closer to the

retailer's true aspiration level. However, retailer's long-term orientation did not have a significant effect on retailer's initial offer ($b_{101} = -0.05$, NS) as predicted in H25.

In a situation where the vendor makes the initial offer, vendor's initial offer was significantly related to retailer's initial offer ($b_{113} = 0.627$, $p < 0.01$) supporting H27. This indicates that if a retailer perceives a vendor's initial offer to be close to the vendor's true aspiration level, the retailer reciprocates such offers. Both H29 and H28, which investigated the effect of vendor's long-term orientation on retailer's and vendor's initial offer were not supported ($b_{112} = 0.023$, NS and $b_{121} = 0.023$, NS). Further, retailer's long-term orientation had a significant effect on retailer's initial offer ($b_{112} = -0.241$, $p < 0.10$).

Discussion of significant results

The results from this study offer interesting insights into the nature of initial offers made by retailers and vendors. Past research in the area of bargaining has shown that bargainers make initial offers which exceed their aspiration level considerably and trade concessions from such high initial offer (Dwyer and Walker 1981; Pruitt 1981). The results from this study indicate that such a pattern of initial offers above the aspiration level may occur in short-term relationships rather than in long-term relationships.

When the retailer makes an initial offer, vendor's long-term orientation is negatively related to the retailer's initial offer. In other words, a retailer's perception that a vendor is long-term oriented, results in an initial offer by the retailer which is close to the retailer's aspiration level. This suggests that some of the research in bargaining which has found a significant effect of variables such as power imbalance on a bargainer's initial offer may be moderated by the orientation of the bargainers towards a long-term relationship. This study suggests that the extent to which a vendor is perceived to be long-term oriented may be a strong predictor of the retailer's initial offer even in situations where there is a power imbalance between the channel partners. Also, the results indicate that when a vendor is perceived to be long-term, very little game playing occurs between a retailer and the vendor.

When a vendor makes an initial offer, vendor's initial offer is strongly related to a retailer's initial offer. The results of this study confirm previous research in bargaining which has shown that initial offers tend to be matched especially if the initial offers tend to be tough or far greater than the aspiration level (Axelrod 1984; Pruitt 1981). The surprising result in this study is that the orientation of a retailer and vendor does not have a significant effect on the retailer's initial offer. This suggests that a vendor's initial offer plays a major role even in long-term relationships.

Discussion of nonsignificant results

The results of the conceptual model shown in Figure 5-3 offer interesting insights into the nature of initial offers. When a retailer makes the initial offer, the retailer's initial offer is based entirely on the perception of vendor's long-term orientation. The retailer's long-term orientation does not affect the retailer's initial offer. This suggests that participants in a dyadic relationship may place much greater emphasis on a channel partner's orientation and behavior rather than one's own orientation.

In contrast, when a vendor makes the initial offer, vendor's long-term orientation is not a significant predictor of retailer's initial offer. Vendor's overt behavior in the form of an initial offer is the most important determinant of a retailer's initial offer. This result is interesting because vendor's long-term orientation seems to get translated into expectations about the vendor's initial offer. When a vendor's initial offer does not conform to these expectations of a long-term oriented vendor, the retailer resorts to game playing i.e increases the initial offer.

Conclusion

In conclusion, the results in this section show that even in long-term relationships, initial offers by vendors and retailers play very important roles in determining the process and outcomes of negotiations. Specifically, when a

retailer makes the initial offer, vendor's long-term orientation plays a key role in determining the retailer's initial offer. On the other hand, when a vendor makes the initial offer, vendor's initial offer determines the retailer's initial offer and the effect of vendor's long-term orientation is insignificant.

Message Sending Behaviors and Disagreements

Summary of the results

The conceptual model describing the effects of a retailer's initial offer on message sending behaviors of retailers and vendors is depicted in Figure 5-4. The correlation matrix of the variables involved in the conceptual model is indicated in Table 5-7. The set of OLS regression equations used to estimate the model along with estimated regression coefficients are shown in Table 5-8.

As indicated in the conceptual model, a retailer's initial offer (compared to their aspiration level) has a significant negative effect on the vendor's integrative messages ($b_{132} = -0.25$, $p < 0.05$) and a significant positive effect on the vendor's distributive messages ($b_{142} = 0.175$, $p < .10$) supporting both H31 and H32.

The results also indicate that a vendor's integrative message sending behavior is positively related to the retailer's integrative message sending behavior ($b_{152} = 0.392$, $p < 0.01$), supporting H33. As proposed, the

interaction between a vendor's distributive messages and retailer's long-term orientation on retailer's distributive messages was significant. To test H33 further, an analysis equivalent to simple main effects was done on this interaction (See Jacard et al 1990). The moderator in this situation was taken to be retailer's long-term orientation. According to the results of the simple main effect analysis, when retailer's long-term orientation was low (one standard deviation below the mean), the slope of the relationship between the vendor's distributive messages and retailer's distributive messages was 0.877, which was significantly different from zero. When retailer's long-term orientation was medium (at the mean), the slope of the relationship between the retailer's and vendor's distributive messages was 0.711, and when the long-term orientation was high (one standard deviation above the mean), the slope was 0.545. Although, all the slopes were significantly different from zero, relationship between the vendor's and retailer's distributive messages is strongest when the retailer's long-term orientation is at its minimum. This supports H34.

As proposed in the model, vendor's distributive messages has a significant effect on the level of disagreements ($b_{171} = 0.412$, $p < 0.01$), while retailer's distributive messages ($b_{172} = -0.064$, NS) had no effect on the level of disagreement providing partial support for H35. Both retailer's integrative messages ($b_{173} = 0.065$, NS) and vendor's integrative messages ($b_{174} = -0.13$, NS) were not

significantly related to the level of disagreements. Thus, H36 was not supported.

Discussion of significant results

The results of this study offer strong insights into the communication behaviors of retailers and vendors. Results of this study indicate that vendor's integrative messages get reciprocated irrespective of a retailer's orientation (i.e. short-term or long-term) while vendor's distributive messages get reciprocated only if the retailer has a short-term orientation. This confirms similar results obtained in controlled experimental settings in the area of marital interaction (Gottman 1979), labor-management negotiations (Putnam and Jones 1982), and negotiations (Donohue 1981). This study provides strong support to the above findings and contradicts previous results in the area of distribution channels. Frazier and Summers (1986) found that manufacturer's use of coercive strategies was positively related to the dealer's use of coercive strategies. However, Frazier, Gill, and Kale (1989) found that coercive behaviors by manufacturers do not get reciprocated by dealers in developing countries where the dealers lack alternatives. The Frazier et al. (1989) result suggests that power imbalance between parties could play a moderating role in the reciprocation of distributive behaviors. This dissertation clearly demonstrates that long-term orientation is another

key moderating variable in the reciprocation of coercive behaviors between channel members.

Another interesting result in this section deals with the determinants of the level of disagreement between a retailer and vendor. Previous studies in distribution channels (Brown and Day 1981; Gaski 1984) have indicated that the level of manifest conflict (overt behaviors rather than an underlying state of incompatibility) is affected by the use of coercive strategies by channel members. The results in this study partially support this conclusion. Vendor's distributive messages were found to increase the level of disagreements while retailer's distributive messages had no effect on the level of disagreements.

Another significant result indicated that a retailer's initial offer was positively related to the vendor's integrative and distributive messages. Specifically, a retailer's initial offer was found to be positively related to vendor's distributive messages and negatively to vendor's integrative messages. In other words, initial offers close to the retailer's aspiration level were found to result in integrative messages while offers far above the aspiration level were found to result in distributive messages. These results are similar to those obtained in various studies in bargaining using the Prisoner's Dilemma paradigm (Rubin and Brown 1975). As Rubin and Brown (1975) conclude, "Early initiation of cooperative behavior tends to promote...cooperative relationship; early competitive

behavior, ...induce mutual suspicion and competition."

Therefore, the results of this study are consistent with the results obtained in bargaining research focussing on the impact of opening moves on the behavior of bargainers.

Discussion of nonsignificant results

Most of the hypotheses in this section were supported except the ones relating a retailer's distributive messages and both parties' integrative messages to the level of disagreements. The nonsignificance of the retailer's distributive messages on the level of disagreement may reflect the bias of the retailer in explaining the cause of a disagreement. The results also suggest an attribution bias of retailers towards blaming the vendors for all their disagreements. Contrary to the proposed hypotheses, integrative messages do not play a major role in mitigating disagreements and only distributive messages affect the level of disagreement. Recent studies in distribution channels (Frazier and Rody 1991) have found that coercive strategies of a supplier and distributor increased latent conflict while noncoercive strategy by the supplier decreased latent conflict. In spite of the partial support for the hypotheses in this dissertation, other studies have found support for similar hypotheses. Taking a dyadic perspective (i.e. using the information from both the retailer and vendor) would offer stronger test of the hypotheses in this section.

Conclusion

Results in this section indicate that a retailer's initial offer is positively related to the vendor's distributive messages and negatively related to the vendor's integrative messages. Further, a vendor's distributive messages get reciprocated only when the retailer is short-term oriented while the vendor's integrative messages get reciprocated irrespective of the retailer's orientation towards the relationship. Finally, a vendor's distributive messages positively affect the level of disagreements between the retailer and vendor.

Conflict Resolution Strategies

Summary of the results

The conceptual model describing the effects of the level of disagreements on retailer's conflict resolution strategy is depicted in Figure 5-5. The hypotheses are shown in Figure 3-9. The correlations between the variables are shown in Table 5-9. The results of the analysis are given in Table 5-10.

The test of the hypotheses was done through procedures suggested by Jaccard¹, Turisi, and Wan (1990). These procedures used multiple regression techniques and involved forming multiplicative terms of the independent variables (Cohen and Cohen 1983). These multiplicative terms encompass

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the interaction effects. The first step in the data analysis was to determine if a triple interaction was present between retailer's long-term orientation, vendor's long-term orientation, and the level of disagreement on various conflict resolution strategies. All three conflict resolution strategies i.e. problem solving, compromise, and aggressive strategies showed significant three way interaction ($p < 0.01$). This suggests that the use of various conflict resolution strategies by retail buyers under different levels of disagreement is different. To test the proposed hypotheses, the level of disagreement was defined at three levels. High disagreement was defined as one standard deviation above the mean, medium level of disagreement was the same as the mean disagreement, and low disagreement was defined as one standard deviation below the mean level.

The data were analyzed for all the three dependent variables i.e. problem-solving, compromise, and aggressive conflict resolution strategies. The results of the analysis are shown in Table 5-10. For all the three dependent variables, the two way interaction was significant at the low disagreement level ($p < 0.01$). For compromise strategy, the two way interaction was also significant at the medium level of disagreement. The two way interactions were not significant for the three dependent variables in the high disagreement condition. Thus, H37, H38, and H39 which predicted a two way interaction for all three conflict

resolution strategies for the high disagreement condition were not supported.

However, the two way interactions at the low and medium level of disagreements were further analyzed by isolating the source of interaction through procedures akin to the simple main effects analysis. The two way interaction between retailer's long-term orientation and vendor's long-term orientation at low level of disagreements for problem solving strategy was analyzed. This analysis revealed that the slope of the relationship between retailer's long-term orientation and problem solving strategy was not significantly different at different levels of vendor's long-term orientation ($p > 0.05$). This suggests that retailer's long-term orientation does not have different slopes at low and high level of vendor's long-term orientation.

In contrast to the above result, the two way interaction between retailer's long-term orientation and vendor's long-term orientation at low level of disagreement on compromise and aggressive strategies led to significant results ($p < 0.01$). The simple main effect analysis of the two way interaction indicated that the slope of the relationship between retailer's long-term orientation and compromise strategy was significantly different at the two (high and low) levels of vendor's long-term orientation ($p < 0.001$). The analysis also indicated that the slope at high level of vendor's long-term orientation for the relationship between retailer's long-term orientation and compromise strategy was

significantly different from zero ($p < 0.01$). This suggests that under low levels of disagreement, when both the retailer and vendor have a long-term orientation, the retailer uses compromise strategy as the primary method of solving the conflict. Similar two-way interaction is obtained for the use of compromise strategy by the retailer to solve conflicts in medium disagreement situation ($p < 0.05$). The results of the simple main effects indicate that the slope of the relationship between retailer's long-term orientation and compromise strategy is different at the two levels (high and low) of vendor's long-term orientation. Specifically, under high level of vendor's long-term orientation and medium disagreements, the relationship between the retailer's long-term orientation and use of compromise strategy is positive and significantly different from zero ($p < 0.01$). The results from the two analyses indicate that when both retailers and vendors are long-term oriented, under both low and medium level of disagreements, retailers use compromise strategy to resolve conflicts.

The two-way interaction between a retailer's long-term orientation and vendor's long-term orientation under low levels of disagreement for retailer's use of aggressive strategy is significant ($p < 0.05$). The analysis of the two way interaction indicates that the slope of the relationship between retailer's long-term orientation and retailer's use of aggressive strategy is positive and significantly different from zero when the vendor is long-term oriented (p

< 0.01). The results suggest that under low levels of disagreement, when the vendor is perceived as long-term oriented, retailer's long-term orientation is positively related to the retailer's use of aggressive strategy. However, when the vendor is perceived as short-term oriented, the slope of the relationship between retailer's long-term orientation and the use of aggressive strategy is negative though not significant. Thus, the results suggest that when both parties are long-term oriented, minor disagreements lead to the use of aggressive strategies by the retailer.

When the two-way interactions are not significant for all the three conflict resolution strategies, a main effects model which included retailer's and vendor's long-term orientation was used to predict the different conflict resolution strategies. The main effect model for problem solving strategy under medium and high level of disagreements, indicated a significant main effect of vendor's long-term orientation ($p < 0.1$) while the main effect model for aggressive strategy under high disagreements revealed a significant main effect of vendor's long-term orientation ($p < 0.05$). The main effect model for retailer's use of compromise strategy was not significant. The results of the main effect models clearly indicate that under high disagreements, vendor's long-term orientation plays a key role in the retailer's use of problem solving and aggressive strategies.

Discussion of significant results

One of the surprising results obtained in this section refers to the use of compromise strategy by retailers in low and medium level of disagreements. The results show that retailers predominantly use compromise strategies when the disagreements are minor and both parties have a long-term orientation. Though channels research in marketing is replete with studies using conflict as a construct, no study has investigated the use of different conflict resolution strategies under various relationship conditions. However, research in the area of interpersonal relationships seems to offer some support to the results obtained in this section. Research has found that people who are involved in close relationships behave cooperatively in conflicts, and avoid power-related behaviors (Rusbult et al. 1991). The results from this study indicate that when both parties are interested in long-term relationship, conflicts should result in cooperative behaviors. However, the current dissertation extends this research by looking at the moderating effect of levels of disagreement on different conflict resolution strategies.

Another interesting result is the use of aggressive strategy by retailers in low level of disagreements even when both parties are oriented towards a long-term relationship. Taken with the previous result which suggested that compromise strategy is most prevalent, these results indicate

that retailers may in fact use multiple strategies during a single negotiation encounter. The results indicate that the conflict resolution strategies (problem solving versus aggressive) are not on opposite poles of a single dimension (as proposed by Graham et al. 1988) but that they are independent strategies requiring greater or lesser degree of use within a particular set of negotiations.

The final result in this section deals with the use of problem solving conflict resolution strategy. Although the two-way interactions for problem solving, compromise, and aggressive strategies are not significant under high disagreement condition, subsequent main effects analysis suggest interesting results. First, under high disagreements, vendor's long-term orientation has a positive effect on the retailer's use of problem solving strategy ($p < 0.1$). This suggests that a retailer uses vendor's long-term orientation as a signal to use problem solving strategy. Similar results are obtained for the retailer's use of aggressive strategy ($p < 0.01$) which suggest that when retailers perceive the vendor to be long-term oriented they are likely to use aggressive strategy. In fact, the main effect of vendor's long-term orientation on the use of aggressive strategy is positive. There are two possible explanations for this result. The first explanation suggests that retailers may be using both problem solving and aggressive strategy simultaneously during high disagreements to resolve conflicts. Although contradictory, the use of aggressive and problem solving

approaches together has some support in bargaining literature. Ben-Yoav and Pruitt (1984) found that bargainers using positional commitments (which is defined in this study as a part of aggressive strategy) along with problem solving approach discovered integrative solutions leading to high outcomes. According to the authors, positional commitments allow bargainers to maintain high aspiration levels and thus, protect against the collapse of demands in a bargaining situation. Such positional commitments drive both parties to extensively search for solutions which integrate the requirements of both parties. Thus, the results obtained in this study are to a certain degree consistent with the simultaneous use of aggressive and problem solving approaches in a bargaining encounter. Another explanation suggests that the result obtained was a result of the desirability of retail buyers to positively respond to questions dealing with aggressive behavior. Thus, the impact of social desirability on the use of aggressive strategy cannot be eliminated. Future researchers should try to define aggressive strategies carefully, and try to distinguish between different aspects of an aggressive strategy such threats, positional commitments and use of persuasive arguments.

Discussion of nonsignificant results

The study provides no support to the two-way interactions under high disagreement condition for the use of all the three conflict resolution strategies.

In spite of the lack of support for the predicted hypotheses, the study has provided some interesting results. As mentioned in the previous section, retailers seemed to use compromise strategy for small and medium level of disagreements when both parties were long-term oriented. However, under high disagreement situation, retailer's long-term orientation has no effect on the use of compromise strategy. In fact, the sign associated with the slope of retailer's long-term orientation under high level of vendor's long-term orientation is negative. A possible explanation for this result is that high disagreement may indicate disagreements on issues which are very important to the concerned parties and use of compromise strategy in those situations provides little benefit to both parties and may lead to sub-optimal solutions.

In contrast to the results obtained for compromise strategy, the use of problem solving strategy is prevalent in high disagreement situations. Under high disagreements, vendor's long-term orientation has a significant positive effect on the retailer's use of problem solving strategy. In low and medium disagreements, the effect of vendor's long-term orientation is not significantly different from zero.

Conclusion

The results in this study provide partial support to the hypotheses proposed in this section. Specifically, compromise and aggressive strategies seem to be used by retail buyers to

resolve minor and medium level conflicts or disagreements. In contrast, problem solving and aggressive strategies are the major conflict resolution strategies under high disagreement condition.

Retailer and Vendor Concessions

Summary of the results

The conceptual model describing the effects of a retailer's conflict resolution strategies on a retailer's and vendor's concession is shown in Figure 5-6. The correlation matrix of the variables involved in the conceptual model is indicated in Table 5-11. The set of OLS regression equations used to estimate the model along with estimated beta coefficients are shown in Table 5-12.

The results of the analysis indicate that a retailer's use of problem solving conflict resolution strategy in a negotiation encounter significantly reduces the concessions made by the retailer ($b_{181} = -0.17$, $p < 0.05$) but does not significantly reduce the concessions made by the vendor ($b_{191} = -0.04$, NS). Thus, H40 was partially supported.

The results of the dissertation also indicate that the retailer's use of compromise strategy significantly increases the concessions made by the retailer ($b_{182} = 0.33$, $p < 0.01$) but does not significantly increase the concessions made by the vendor ($b_{192} = 0.118$, NS). Thus, the results provide partial support for H41.

Finally, the results of the dissertation also indicate that the retailer's use of aggressive strategy significantly increases the concessions made by the vendor ($b_{193} = 0.194$, $p < 0.10$) but does not affect the concessions made by the retailer ($b_{183} = 0.084$, NS). Once again, the results offer partial support to H42.

Discussion of significant results

The results obtained in this study are consistent with the research in bargaining. First, this study indicates that the use of problem solving strategy by retailer significantly decreases the concessions made by the retailer. Pruitt (1981) and Rubin and Brown (1975) cite numerous studies which conclude that when bargainers can communicate adequately, problem solving approaches result in maximum outcomes. The studies indicate problem solving approaches such as heuristic trial and error (gradual concessions over time) produce high outcomes even in situations where parties lack trust in each other. The result of this study confirms the expectation that the retailer's use of problem solving strategies will result in fewer concessions, and thus higher outcomes.

In contrast, use of compromise strategy results in greater concessions by the retailer. Research in bargaining has indicated that compromise on individual issues results in lower outcomes than when bargainers employ a logrolling strategy. In other words, compromise of both parties on the same issue leads to suboptimal outcomes (Pruitt et al. 1980).

The result from this dissertation offers support to earlier findings in the bargaining literature which indicate that compromise strategies might result in sub-optimal solutions. This result combined with result obtained from the previous section offers interesting insights into the nature of retail bargaining behavior. Results in the previous section indicated that retail buyers are likely to use compromise strategies to resolve minor conflicts. The results in the two sections suggest that retail buyers may be aware of the suboptimal outcomes obtained through the use of compromise strategy and therefore, restrict the use of such a strategy for minor conflicts. In fact, retailers might avoid using problem solving strategy in minor conflicts because of the greater cost in time and effort involved to obtain solutions which satisfy both parties.

The results obtained regarding the use of aggressive strategy are also consistent with findings in the bargaining literature which indicate that successful use of threats and compliance tactics result in higher outcomes to the party making such threats (Rubin and Brown 1975). Several marketing studies have shown that the use of distributive or aggressive tactics result in higher outcomes when they are successful (Dwyer and Walker 1980; Schurr and Ozanne 1984). The result from this dissertation confirm results which indicate that the retailer's use of aggressive strategy leads to higher concessions by the vendor and has no effect on retailer's concessions.

Discussion of nonsignificant results

Hypotheses 39 and 40 investigating the effect of problem solving and compromising strategies adopted by a retailer on retailer's and vendor's concessions were partially supported. A possible explanation for insignificant effect of problem solving and compromise strategies on vendor's concessions is that the concessions of the vendor are based on the retailer's perception. A measure of vendor's concessions as perceived by the vendor would have resulted in a stronger test of the hypotheses related to the vendor's concessions.

Conclusion

The results from this section provide strong support to results obtained in the bargaining literature. Specifically, the use of problem solving strategy by a retailer resulted in lowering the concessions made by the retailer. The use of compromise strategy by a retailer resulted in increasing the concessions made by the retailer. Finally, the use of aggressive strategy by a retailer resulted in increasing the concessions made by the vendor.

Satisfaction with the Negotiations

Summary of the results

The conceptual model describing the effects of a retailer's and vendor's concessions on retailer's satisfaction with the negotiation is shown in Figure 5-6. The correlation matrix of the variables involved in the

conceptual model is indicated in Table 5-13. The set of OLS regression equations used to estimate the model along with estimated beta coefficients are shown in Table 5-14.

Retailer's use of problem solving strategy was positively related to retailer's satisfaction with the negotiation ($b_{201} = 0.497$, $p < 0.01$) while retailer's use of aggressive strategy was negatively related to retailer's satisfaction with the negotiation ($b_{203} = -0.24$, $p < 0.05$). These results provide partial support to H43. However, retailer's use of compromise strategy was not significantly related to the retailer's satisfaction with negotiations ($b_{202} = -0.11$, NS). The sign of the regression coefficient was opposite to the proposed hypothesis.

The results from this study also indicate that the concessions made by the retailer are negatively related to the retailer's satisfaction with the negotiation ($b_{204} = -0.19$, $p < 0.05$) and the concessions made by the vendor are positively related to the retailer's satisfaction with the negotiations ($b_{205} = 0.318$, $p < 0.01$). These results provide support to H44.

Discussion of significant results

Studies in distribution channels have found that channel member satisfaction increases morale, cooperation between parties, fewer termination of relationships, and reduced litigation (Stern and El-Ansary 1988). However, very few studies in distribution channels have focussed on the

determinants of satisfaction, specifically with respect to negotiations.

The results in this dissertation offer interesting insights into the determinants of retailer's satisfaction with the negotiation. The results show that retailer's use of problem solving conflict strategy has a direct positive influence on retailer's satisfaction while aggressive strategy has a direct negative influence on retailer's satisfaction. This suggests that the conflict resolution strategies used by the retailer are an important determinant of satisfaction, even when the outcomes from the negotiation are not considered.

The dissertation also supports previous research (Dwyer and Walker 1981) which indicates that the satisfaction of the bargainer is a function of the outcomes obtained by the bargainer in the negotiation. In this dissertation, outcomes are indicated by the extent of concessions made by the retailers and vendors. The results confirm the previous findings that satisfaction of a retailer with a bargaining episode is dependent on the extent of concessions made by the retailer and vendor.

Discussion of nonsignificant results

The only surprising result in this section deals with the effect of retailer's compromise strategy on satisfaction with the negotiation. Though retailer's use of compromise strategy was not a significant predictor of satisfaction, the

sign of the regression coefficient was negative. This suggests that the use of compromise strategy is negatively related to the satisfaction of a retailer. The results of this dissertation indicate that only the use of problem solving strategy is positively related to retailer's satisfaction and both compromise and aggressive strategies are negatively related to retailer's satisfaction with the negotiation.

Conclusion

The results of this section indicate that the use of problem solving strategy is positively related to retailer's satisfaction with the negotiation, while the use of aggressive strategy is negatively related to retailer's satisfaction. Further, concessions made by the retailer are negatively related to retailer's satisfaction while the concessions made by the vendor are positively related to retailer's satisfaction. The results provide support for the effect of both negotiation tactics and outcomes on retailer's satisfaction with the negotiation.

Summary

The results of various analyses show support to most of the hypotheses. The results show that retailer's long-term orientation affects a retailer's initial offer, which in turn significantly affects the messages sent by both parties during the initial stages of the negotiation. The use of

different messages result in disagreements. The conflict resolution strategy used by a retailer affects the retailer's and vendor's concessions. The concessions made by retailer and vendor are related to retailer's satisfaction with the negotiations.

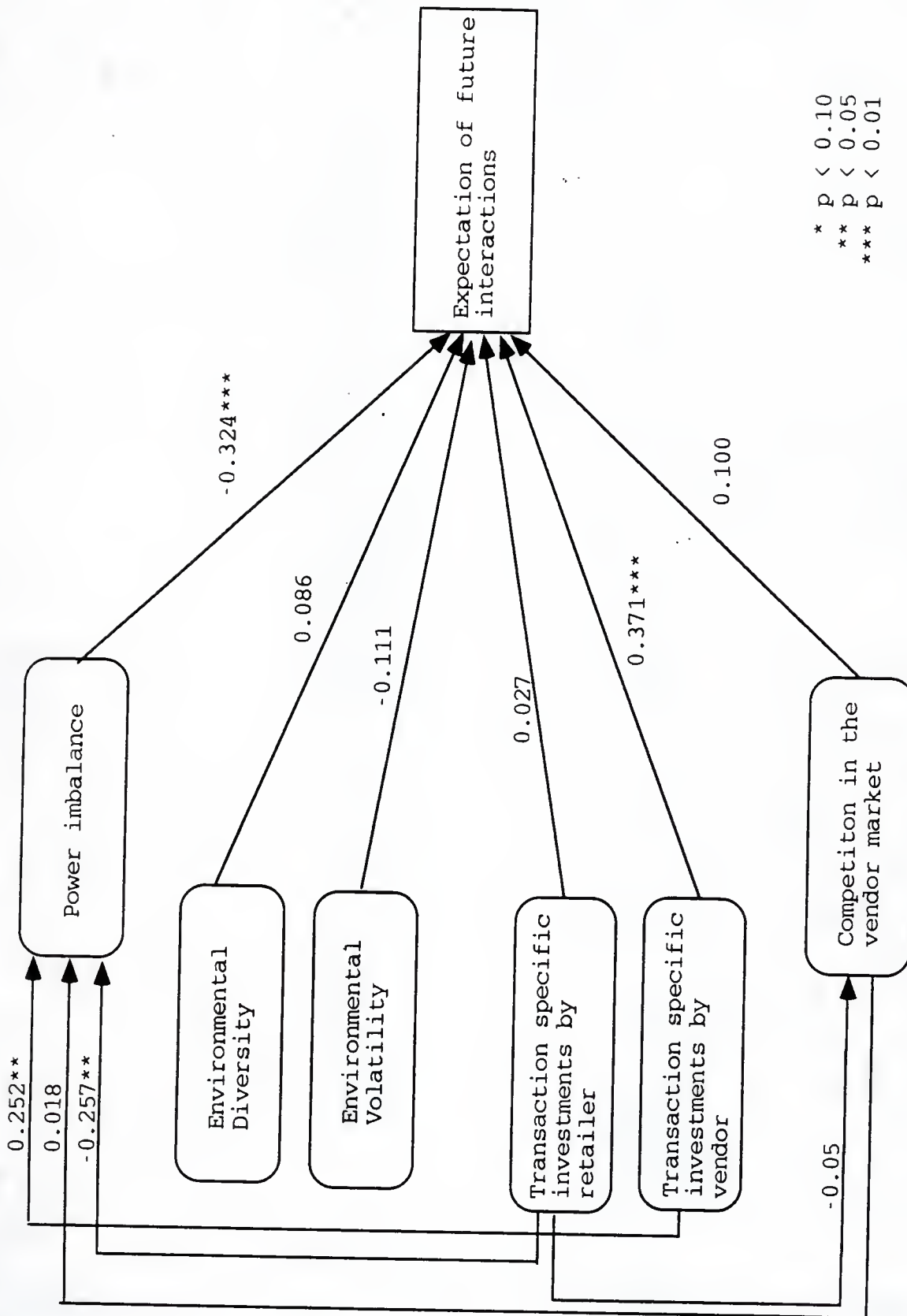


Fig 5-1: Antecedents of a Retailer's Expectation of Future Interactions

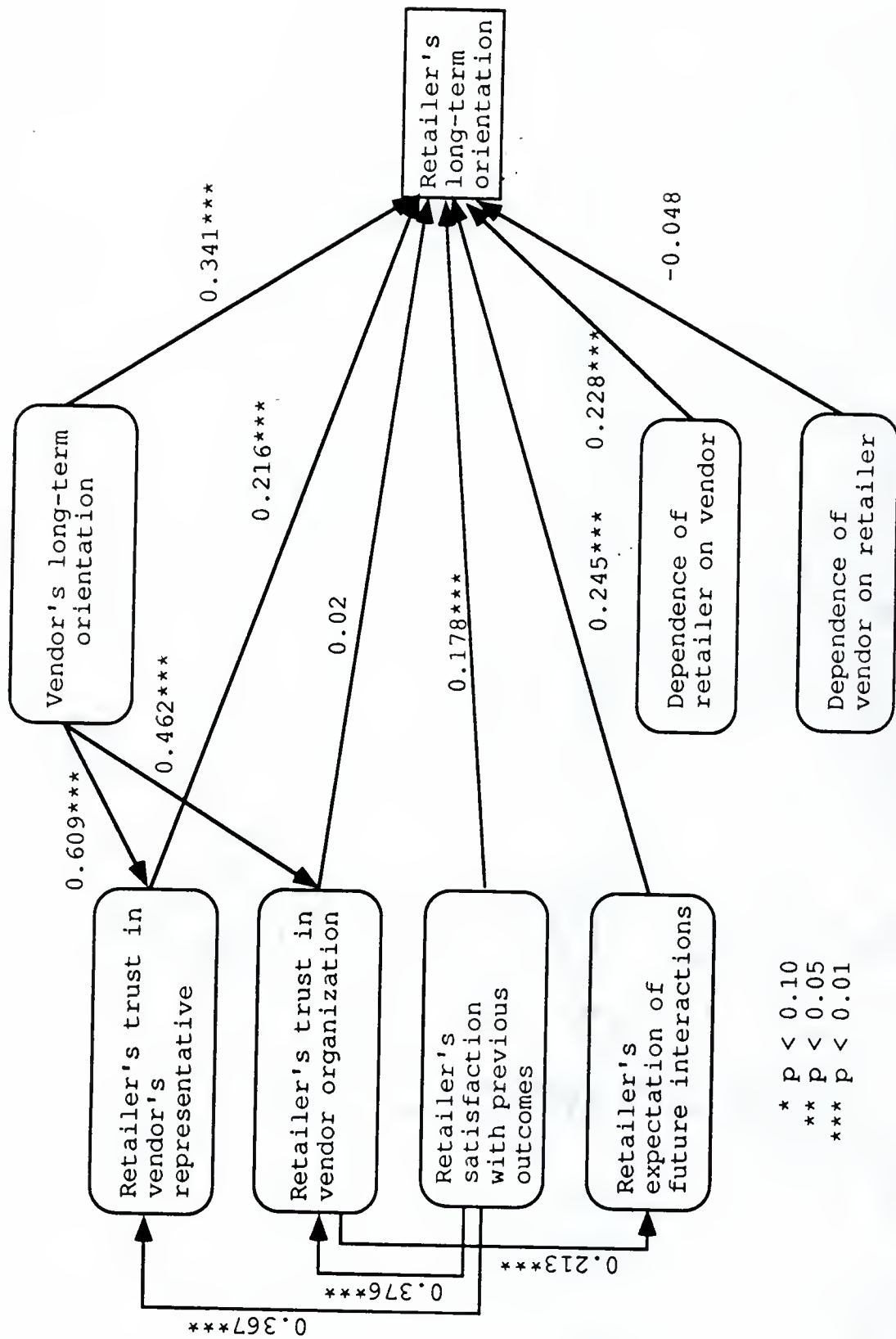
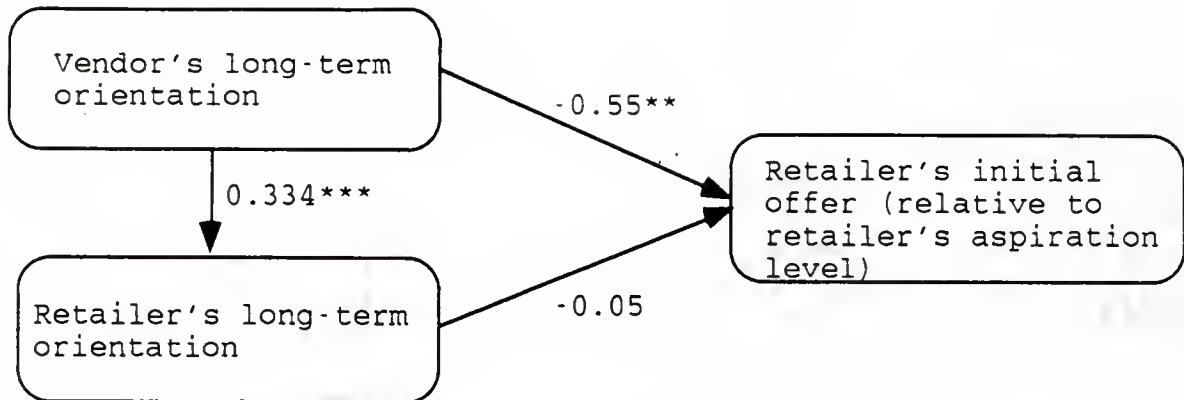
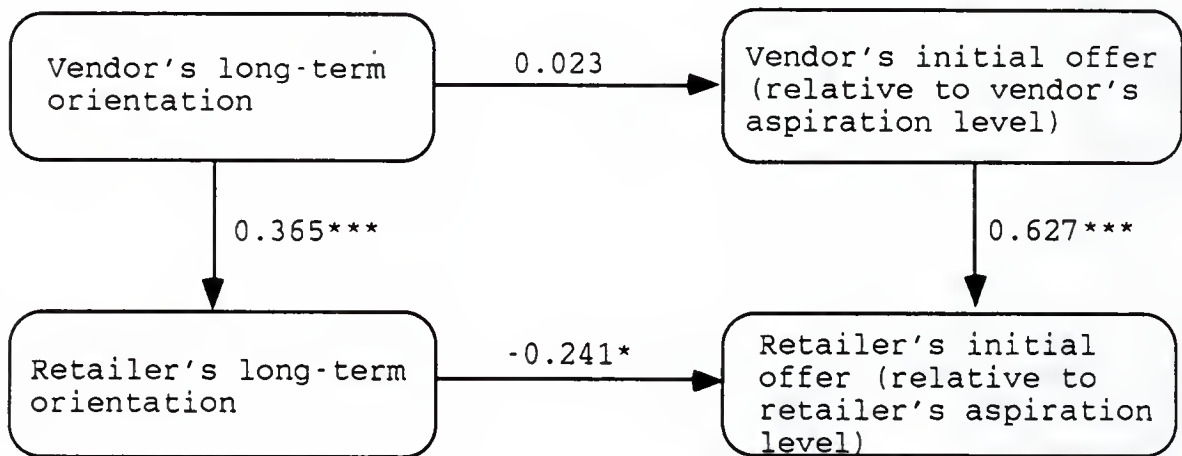


Fig. 5-2: Antecedents of a Retailer's Long-term Orientation



a) Retailer makes the initial offer



b) Vendor makes the initial offer

* $p < 0.10$
 ** $p < 0.05$
 *** $p < 0.01$

Fig. 5-3: Antecedents of a Retailer's Initial Offer

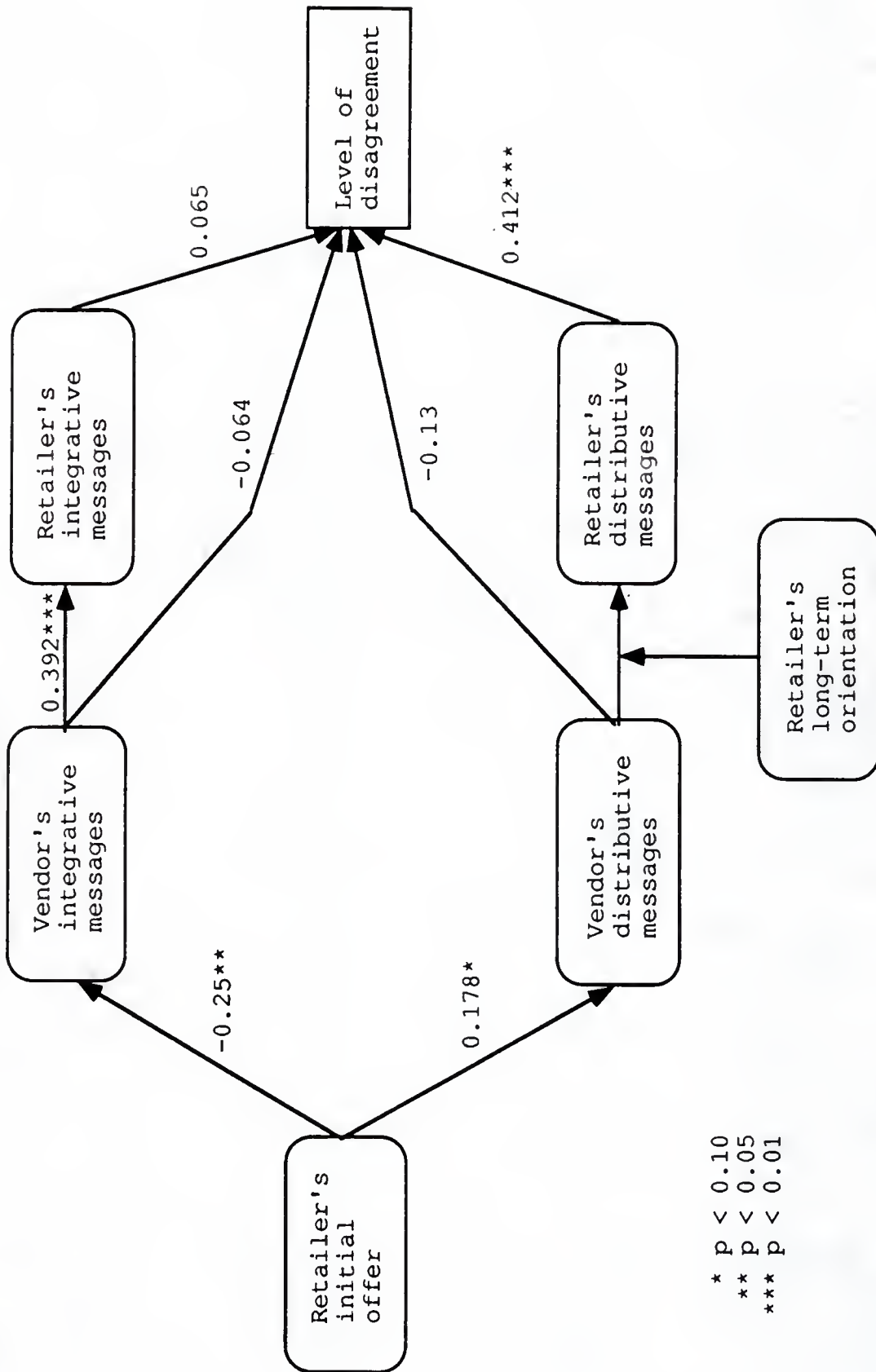


Fig 5-4: Antecedents of Level of Disagreements Between Retailers and Vendors

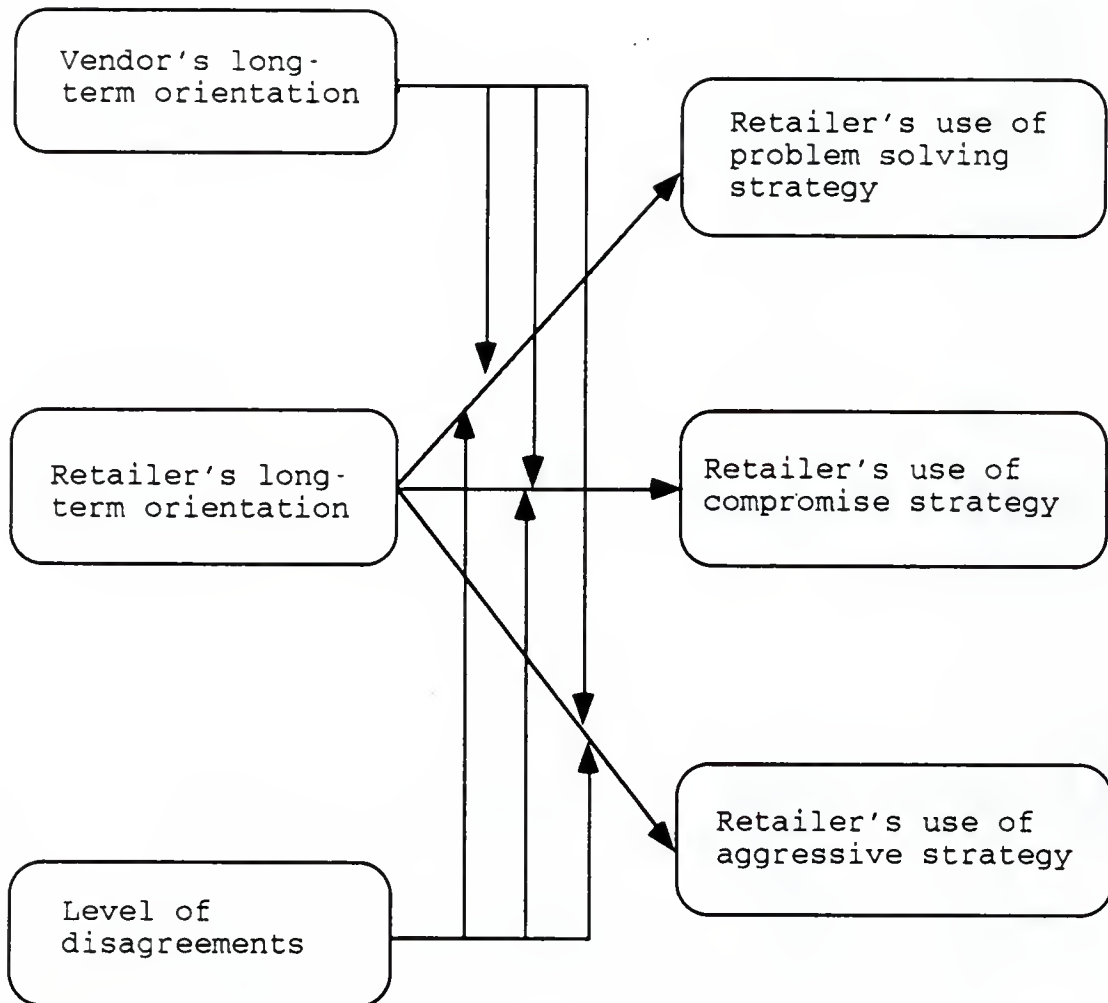
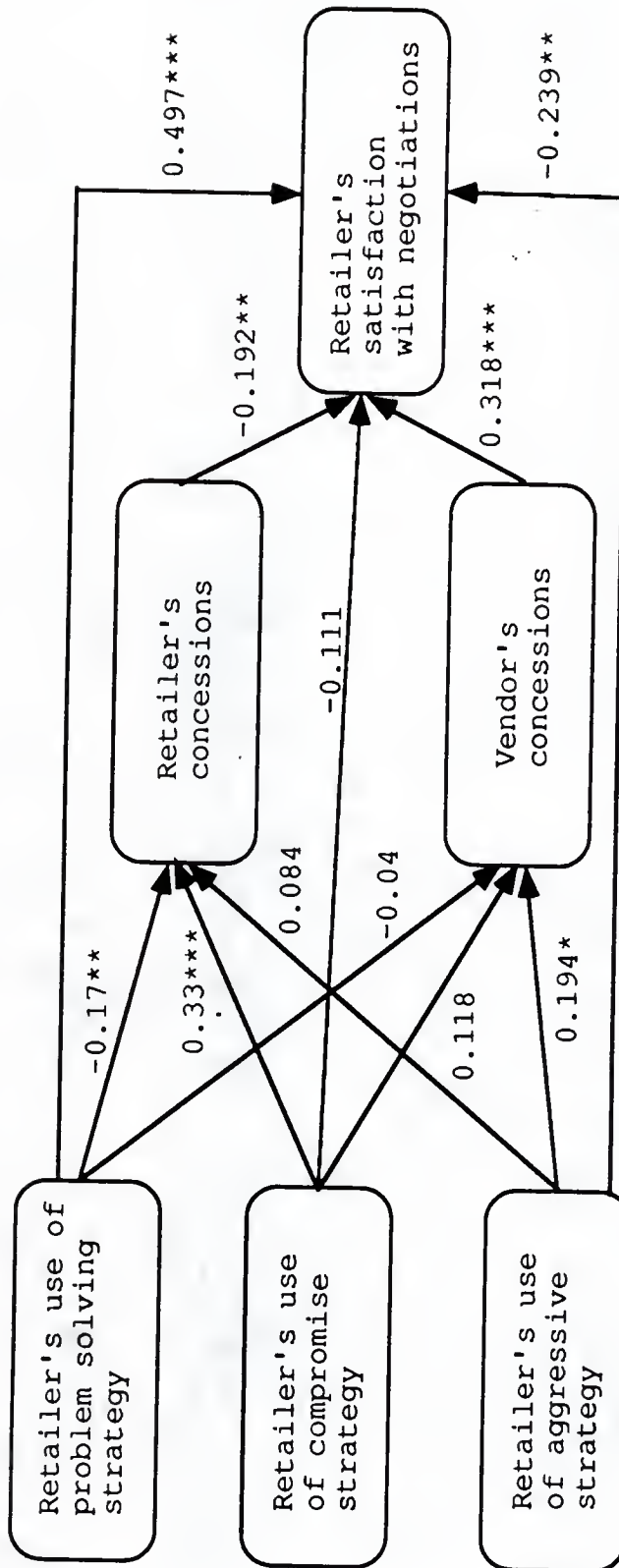


Fig. 5-5: Determinants of a Retailer's Conflict Resolution Strategy



* $p < 0.10$
 ** $p < 0.05$
 *** $p < 0.01$

Fig. 5-6: Effect of Retailer's Conflict Resolution Strategies on Retailer's and Vendor's Concessions and Retailer's Satisfaction with Negotiations

Table 5-1

Means, Standard Deviations and Correlations of Variables Affecting Retailer's Expectation of Future Interactions

<u>Variables</u>	<u>Mean</u>	<u>S.D.</u>	<u>PIMB</u>	<u>EDIV</u>	<u>EVOL</u>	<u>TSIR</u>	<u>TSIV</u>	<u>NOVEN</u>	<u>EFI</u>
Power imbalance	4.60	1.19	-						
Environmental diversity	3.99	1.18	0.107						
Environmental volatility	3.72	0.78	-0.05	0.43***	-				
Transaction specific investments by retailer	3.44	1.40	-0.085	-0.206**	-0.115	-			
Transaction specific investments by vendor	4.49	1.42	0.196**	0.085	0.029	0.199**			
Competition in the vendor market	16.29	16.32	0.049	0.201**	0.079	-0.05	0.02		
Expectation of future interactions	5.90	1.08	-0.239***	0.05	-0.05	0.116	0.314***	0.098	-

* p < 0.10

** p < 0.05

*** p < 0.01

Table 5-2

Regression Equations and Estimated Standardized Coefficients
for Retailer's Expectation of Future Interactions

$$\text{EFI} = b_{10} + b_{11} \text{ PIMB} + b_{12} \text{ EDIV} + b_{13} \text{ EVOL} + b_{14} \text{ TSIR} + b_{15} \text{ TSIR} + b_{16} \text{ NOVEN} \dots (1)$$

$$\text{NOVEN} = b_{20} + b_{21} \text{ TSIR} \dots (2)$$

$$\text{PIMB} = b_{30} + b_{31} \text{ NOVEN} + b_{32} \text{ TSIR} + b_{33} \text{ TSIV} \dots (3)$$

1. Dependent variable: EFI

$$F(6,115) = 5.382^{***}$$

$$\text{Adj. } R^2 = 0.18$$

Independent variables

Standardized coefficients

PIMB	-0.324***
EVOL	-0.111
EDIV	0.086
TSIR	0.027
TSIV	0.371***
NOVEN	0.100

2. Dependent variable: NOVEN

$$F(1,120) = 0.305$$

$$\text{Adj. } R^2 = 0.01$$

Independent variables

Standardized coefficients

TSIR	-0.05
------	-------

3. Dependent variable: PIMB

$$F(1,120) = 0.284$$

$$\text{Adj. } R^2 = 0.06$$

Independent variables

Standardized coefficients

NOVEN	0.049
TSIR	-0.257**
TSIV	0.252**

* $p < 0.10$

** $p < 0.05$

*** $p < 0.01$

Legends

EFI	=	Retailer's expectation of future expectations
PIMB	=	Power imbalance
EDIV	=	Environmental diversity
EVOL	=	Environmental volatility
TSIR	=	Transaction specific investment by retailer
TSIV	=	Transaction specific investment by vendor
NOVEN	=	Degree of competition in the vendor market

Table 5-3

Means, Standard Deviations and Correlations of Variables Affecting Retailer's Long-term Orientation

	<u>Mean</u>	<u>S.D.</u>	<u>EFI</u>	<u>INDTRS</u>	<u>ORGTRS</u>	<u>SATOUT</u>	<u>VLTO</u>	<u>DEPROV</u>	<u>DEPVOR</u>	<u>RLTO</u>
Expectation of future interactions	5.90	1.08	-							
Trust in vendor's representative	5.133	1.01	0.351***	-						
Trust in vendor organization	5.137	1.024	0.307***	0.593***	-					
Satisfaction with past outcomes	5.097	1.258	0.264***	0.367***	0.631***	-				
Vendor's long-term orientation	5.69	0.85	0.353***	0.617***	0.673***	0.527***	-			
Dependence of retailer on vendor	4.62	1.31	0.404***	0.252***	0.187**	0.103	0.228**			
Dependence of vendor on retailer	5.46	1.28	0.27***	0.392***	0.241***	0.116	0.327***	0.477***	-	
Retailer's long-term orientation * p < 0.10 ** p < 0.05 *** p < 0.01	5.463	0.935	0.578***	0.629***	0.601***	0.533***	0.714***	0.46***	0.352***	-

Table 5-4

Regression Equations and Estimated Standardized Coefficients
for Retailer's Long-term Orientation

$$\text{RLTO} = b_{40} + b_{41} \text{VLTO} + b_{42} \text{INDTRS} + b_{43} \text{ORGTRS} + b_{44} \text{SATOUT} + b_{45} \text{EFI} + b_{46} \text{DEPROV} + b_{47} \text{DEPVOR} \quad (4)$$

$$\text{ORGTRS} = b_{50} + b_{51} \text{VLTO} + b_{52} \text{PIMB} + b_{53} \text{SATOUT} \dots \dots \dots (5)$$

$$\text{INDTRS} = b_{60} + b_{61} \text{VLTO} + b_{62} \text{PIMB} + b_{63} \text{SATOUT} \dots \dots \dots (6)$$

$$\text{DEPROV} = b_{70} + b_{71} \text{TSIR} \dots \dots \dots (7)$$

$$\text{DEPVOR} = b_{80} + b_{81} \text{TSIV} \dots \dots \dots (8)$$

$$\text{VLTO} = b_{90} + b_{91} \text{TSIV} \dots \dots \dots (9)$$

4. Dependent variable: RLTO

$$F(7, 112) = 39.111^*$$

$$\text{Adj. } R^2 = 0.692$$

Independent variables

Standardized coefficients

VLTO	0.341***
INDTRS	0.216***
ORGTRS	0.020
SATOUT	0.178***
EFI	0.245***
DEPROV	0.228***
DEPVOR	-0.048

5. Dependent variable: ORGTRS

$$F(3, 116) = 49.862^*$$

$$\text{Adj. } R^2 = 0.552$$

Independent variables

Standardized coefficients

VLTO	0.462***
PIMB	0.070
SATOUT	0.376***

6. Dependent variable: INDTRS

$$F(2, 117) = 36.315^*$$

$$\text{Adj. } R^2 = 0.373$$

Independent variables

Standardized coefficients

VLTO	0.609***
PIMB	0.045
SATOUT	0.367***

7. Dependent variable: DEPROV

$$F(1,122) = 33.742$$

$$\text{Adj. } R^2 = 0.21$$

Independent variablesStandardized coefficients

TSIR

0.465***

8. Dependent variable: DEPVOR

$$F(1,122) = 21.745$$

$$\text{Adj. } R^2 = 0.144$$

Independent variablesStandardized coefficients

TSIV

0.389***

9. Dependent variable: VLTO

$$F(1,122) = 44.169$$

$$\text{Adj. } R^2 = 0.26$$

Independent variablesStandardized coefficients

TSIV

0.516***

- * p < 0.10
 ** p < 0.05
 *** p < 0.01

Legends

- EFI = Retailer's expectation of future interactions
 INDTRS = Retailer's trust in vendor's representative
 ORGTRS = Retailer's trust in vendor's organization
 SATOUT = Retailer's satisfaction with past negotiation outcomes
 VLTO = Vendor's long-term orientation
 DEPROV = Dependence of the retailer on vendor
 DEPVOR = Dependence of the vendor on retailer
 RLTO = Retailer's long-term orientation

Table 5-5

Means, Standard Deviations and Correlations of Variables
Affecting Retailer's Initial Offer

a) When a retailer makes the initial offer

<u>Variables</u>	<u>Mean</u>	<u>S.D.</u>	<u>VLTO</u>	<u>RLTO</u>	<u>RIORAL</u>
Vendor's long-term orientation	5.577	0.793	-		
Retailer's long-term orientation	5.33	0.906	0.636***	-	
Retailer's initial offer w.r.t own aspiration level	3.582	0.956	-0.405***	-0.319***	-

* p < 0.10

** p < 0.05

*** p < 0.01

B) When a vendor makes the initial offer

<u>Variables</u>	<u>Mean</u>	<u>S.D.</u>	<u>VLTO</u>	<u>RLTO</u>	<u>VIOVAL</u>	<u>RIORAL</u>
Vendor's long-term orientation	5.8	0.84	-			
Retailer's long-term orientation	5.56	0.964	0.675***	-		
Vendor's initial offer w.r.t. vendor's aspiration level	3.27	0.948	0.048	-0.012	-	
Retailer's initial offer w.r.t. retailer's aspiration level	3.61	0.91	-0.178	-0.261	0.636***	-

* p < 0.10

** p < 0.05

*** p < 0.01

Table 5-6

Regression Equations and Estimated Standardized Coefficients for
Retailer's Initial Offer

$$\text{RIORAL1} = b_{100} + b_{101} \text{RLTO} + b_{102} \text{VLTO} \dots \dots \dots (10)$$

$$\text{RIORAL2} = b_{110} + b_{111} \text{RLTO} + b_{112} \text{VLTO} + b_{113} \text{VIOVAL} \dots \dots (11)$$

$$\text{VIOVAL} = b_{120} + b_{121} \text{VLTO} \dots \dots \dots (12)$$

10. Dependent variable: RIORAL1

$$F(2,49) = 5.02^*$$

$$\text{Adj. } R^2 = 0.14$$

<u>Independent variables</u>	<u>Standardized coefficients</u>
VLTO	-0.55**
RLTO	-0.05

11. Dependent variable: RIORAL2

$$F(2,27) = 11.594^*$$

$$\text{Adj. } R^2 = 0.42$$

<u>Independent variables</u>	<u>Standardized coefficients</u>
VIOVAL	0.627***
RLTO	-0.241*
VLTO	0.023

12. Dependent variable: VIOVAL

$$F(1,28) = 0.02$$

$$\text{Adj. } R^2 = 0.001$$

<u>Independent variables</u>	<u>Standardized coefficients</u>
VLTO	0.023

* $p < 0.10$

** $p < 0.05$

*** $p < 0.01$

Legends

- RIORAL1 = Retailer's initial offer w.r.t. own aspiration level when a retailer makes the initial offer
- RIORAL2 = Retailer's initial offer w.r.t. own aspiration level when a vendor makes the initial offer
- VIOVAL = Vendor's initial offer w.r.t. vendor's aspiration level
- VLTO = Vendor's long-term orientation
- RLTO = Retailer's long-term orientation

Table 5-7

Means, Standard Deviations and Correlations of Variables Affecting the Retailer's Message Sending Behavior and the Level of Disagreement

<u>Variables</u>	<u>Mean</u>	<u>S.D.</u>	<u>RIORAL</u>	<u>VINT</u>	<u>VDIS</u>	<u>RINT</u>	<u>RDIS</u>	<u>DISAGR</u>
Retailer's initial offer	3.563	0.921	-					
Vendor's integrative messages	4.656	1.04	-0.25**					
Vendor's distributive messages	1.61	0.746	0.178	-0.245**				
Retailer's integrative messages	5.77	0.826	-0.105	0.42***	-0.16			
Retailer's distributive messages	1.896	0.915	0.128	-0.02	0.636***	-0.05		
Level of disagreements	2.865	1.13	0.274**	-0.19**	0.391***	-0.001	0.204**	-

* p < 0.10

** p < 0.05

*** p < 0.01

Table 5-8

Regression Equations and Estimated Standardized Coefficients for
Retailer's and Vendor's Message Sending Behavior and Level of
Disagreements

$$\text{VINT} = b_{130} + b_{131} \text{RIORAL} \dots \dots \dots (13)$$

$$\text{VDIS} = b_{140} + b_{141} \text{RIORAL} \dots \dots \dots (14)$$

$$\text{RINT} = b_{150} + b_{151} \text{VINT} \dots \dots \dots (15)$$

$$\text{RDIS} = b_{160} + b_{161} \text{RLTO} * \text{VDIS} \dots \dots \dots (16)$$

$$\text{DISAGR} = b_{170} + b_{171} \text{VDIS} + b_{172} \text{RDIS} + b_{173} \text{VINT} + \\ b_{174} \text{RINT} \dots \dots \dots (17)$$

13. Dependent variable: VINT

$$F(1,79) = 5.264^{**}$$

$$\text{Adj. } R^2 = 0.05$$

Independent variables

Standardized coefficients

RIORAL

-0.25**

14. Dependent variable: VDIS

$$F(1,79) = 2.583$$

$$\text{Adj. } R^2 = 0.02$$

Independent variables

Standardized coefficients

RIORAL

0.178*

15. Dependent variable: RINT

$$F(1,79) = 14.387$$

$$\text{Adj. } R^2 = 0.14$$

Independent variables

Standardized coefficients

VINT

0.392***

16. Dependent variable: RDIS

<u>Independent variables</u>	<u>Moderator</u>	<u>Slope</u>
VDIS	RLTO (1sd below mean)	0.877***
VDIS	RLTO (At mean)	0.711***
VDIS	RLTO (1sd above mean)	0.545***

17. Dependent variable: DISAGR

F(4,91) = 4.697

Adj. R² = 0.14

<u>Independent variables</u>	<u>Standardized coefficients</u>
RINT	0.065
RDIS	-0.064
VINT	-0.130
VDIS	0.412***

* p < 0.10

** p < 0.05

*** p < 0.01

Legends

VINT	= Vendor's integrative message sending behavior
VDIS	= Vendor's distributive message sending behavior
RINT	= Retailer's integrative message sending behavior
RDIS	= Retailer's distributive message sending behavior
DISAGR	= Level of disagreement between retailer and vendor
RIORAL	= Retailer's initial offer w.r.t. retailer's own aspiration level
RLTO	= Retailer's long-term orientation

Table 5-9

Means, Standard Deviations and Correlations of Variables Affecting Retailer's Use of Various Conflict Resolution Strategies

<u>Variables</u>	<u>Mean</u>	<u>S.D.</u>	<u>DISAGR</u>	<u>RLTO</u>	<u>VLTO</u>	<u>PROBSOL</u>	<u>COMPRO</u>	<u>AGGRES</u>
Level of disagreements	2.866	1.13	-					
Retailer's long-term orientation	5.463	0.935	-0.151					
Vendor's long-term orientation	5.69	0.847	-0.164	0.714***				
Retailer's use of problem solving strategy	6.024	0.795	-0.205**	0.387***	0.396***			
Retailer's use of compromise strategy	4.74	0.999	-0.078	0.24***	0.223**	0.376***		
Retailer's use of aggressive strategy	5.45	1.026	0.077	0.195**	0.223**	0.521***	0.254**	-

* p < 0.10

** p < 0.05

*** p < 0.01

Table 5-10

Analysis of Retailer's use of Various Conflict Resolution Strategies

Dependent variable: Retailer's use of problem solving strategy

1. Analysis of three-way interaction

<u>Interaction</u>	<u>Parameter Estimate</u>
RLTO * VLTO * DISAGR	-0.174***

2. Analysis of two-way interactions

<u>Interaction</u>	<u>Moderator</u>	<u>Parameter Estimate</u>
RLTO * VLTO	DISAGR (Low: 1 sd below mean)	0.293***
RLTO * VLTO	DISAGR (Medium: At mean)	0.097
RLTO * VLTO	DISAGR (High: 1 sd above mean)	-0.0999

3. Analysis of simple main effects

a) Under Low Disagreement

<u>Independent Variable</u>	<u>Moderator</u>	<u>Parameter Estimate</u>
RLTO	VLTO (Low: 1 sd below mean)	-0.115
RLTO	VLTO (High: 1 sd above mean)	0.416*

4. Analysis of main effects

a) Under medium disagreement

<u>Independent Variable</u>	<u>Parameter Estimate</u>
RLTO	0.183
VLTO	0.159

b) Under high disagreement

<u>Independent Variable</u>	<u>Parameter Estimate</u>
RLTO	0.216
VLTO	0.334*

Dependent variable: Retailer's use of compromise strategy

1. Analysis of three-way interaction

<u>Interaction</u>	<u>Parameter Estimate</u>
RLTO * VLTO * DISAGR	-0.244***

2. Analysis of two-way interactions

<u>Interaction</u>	<u>Moderator</u>	<u>Parameter Estimate</u>
RLTO * VLTO	DISAGR (Low: 1 sd below mean)	0.554***
RLTO * VLTO	DISAGR (Medium: At mean)	0.279***
RLTO * VLTO	DISAGR (High: 1 sd above mean)	0.004

3. Analysis of simple main effects

a) Under Low Disagreement

<u>Independent Variable</u>	<u>Moderator</u>	<u>Parameter Estimate</u>
RLTO	VLTO (Low: 1 sd below mean)	-0.108
RLTO	VLTO (High: 1 sd above mean)	0.894***

b) Under Medium Disagreement

<u>Independent Variable</u>	<u>Moderator</u>	<u>Parameter Estimate</u>
RLTO	VLTO (Low: 1 sd below mean)	-0.01
RLTO	VLTO (High: 1 sd above mean)	0.494***

4. Analysis of main effects

a) Under high disagreement

<u>Independent Variable</u>	<u>Parameter Estimate</u>
RLTO	0.09
VLTO	0.16

Dependent variable: Retailer's use of aggressive strategy

1. Analysis of three-way interaction

<u>Interaction</u>	<u>Parameter Estimate</u>
RLTO * VLTO * DISAGR	-0.246***

2. Analysis of two-way interactions

<u>Interaction</u>	<u>Moderator</u>	<u>Parameter Estimate</u>
RLTO * VLTO	DISAGR (Low: 1 sd below mean)	0.456***
RLTO * VLTO	DISAGR (Medium: At mean)	0.179*
RLTO * VLTO	DISAGR (High: 1 sd above mean)	-0.100

3. Analysis of simple main effects

a) Under Low Disagreement

<u>Independent Variable</u>	<u>Moderator</u>	<u>Parameter Estimate</u>
RLTO	VLTO (Low: 1 sd below mean)	-0.201
RLTO	VLTO (High: 1 sd above mean)	0.624***

b) Under Medium Disagreement

<u>Independent Variable</u>	<u>Moderator</u>	<u>Parameter Estimate</u>
RLTO	VLTO (Low: 1 sd below mean)	-0.04
RLTO	VLTO (High: 1 sd above mean)	0.282

4. Analysis of main effects

a) Under high disagreement

<u>Independent Variable</u>		<u>Parameter Estimate</u>
	RLTO	0.03
	VLTO	0.519**
* p < 0.10		
** p < 0.05		
*** p < 0.01		

Legends

PROBSOL	=	Retailer's use of problem solving conflict resolution strategies
COMPRO	=	Retailer's use of compromise conflict resolution strategy
AGGRES	=	Retailer's use of aggressive conflict resolution strategy
RLTO	=	Retailer's long-term orientation
VLTO	=	Vendor's long-term orientation

Table 5-11

Means, Standard Deviations and Correlations of Variables Affecting Retailer's and Vendor's Concession Behavior

<u>Variables</u>	<u>Mean</u>	<u>S.D.</u>	<u>PROBSOL</u>	<u>COMPRO</u>	<u>AGGRES</u>	<u>RCNXIM</u>	<u>VCNXIM</u>
Retailer's use of problem solving strategy	6.024	0.795	-				
Retailer's use of compromise strategy	4.74	0.999	0.376***	-			
Retailer's use of aggressive strategy	5.45	1.026	0.521***	0.254**	-		
Retailer's concessions	18.01	7.69	-0.17	0.26**	0.08	-	
Vendor's concessions	17.40	8.01	0.104	0.134	0.19*	0.10	-

* p < 0.10
 ** p < 0.05
 *** p < 0.01

Table 5-12

Regression Equations and Estimated Standardized Coefficients
for Retailer's and Vendor's Concession Behavior

$$RCNXIM = b_{180} + b_{181} \text{ PROBSOL} + b_{182} \text{ COMPRO} + b_{183} \text{ AGGRES (18)}$$

$$VCNXIM = b_{190} + b_{191} \text{ PROBSOL} + b_{192} \text{ COMPRO} + b_{193} \text{ AGGRES (19)}$$

18. Dependent variable: RCNXIM

$$F(3,85) = 3.119^{**}$$

$$\text{Adj. } R^2 = 0.07$$

Independent variables

Standardized coefficients

PROBSOL	-0.17**
COMPRO	0.33***
AGGRES	0.084

19. Dependent variable: VCNXIM

$$F(3,85) = 1.423$$

$$\text{Adj. } R^2 = 0.01$$

Independent variables

Standardized coefficients

PROBSOL	-0.04
COMPRO	0.118
AGGRES	0.194*

* $p < 0.10$

** $p < 0.05$

*** $p < 0.01$

Legends

RCNXIM	=	Retailer's concessions on various issues weighted by the retailer's importance of these issues
VCNXIM	=	Vendor's concessions on various issues weighted by the vendor's importance of these issues
PROBSOL	=	Retailer's use of problem solving conflict resolution strategies
COMPRO	=	Retailer's use of compromise conflict resolution strategy
AGGRES	=	Retailer's use of aggressive conflict resolution strategy

Table 5-13

Means, Standard Deviations and Correlations of Variables Affecting Retailer's Satisfaction with Negotiations

<u>Variables</u>	<u>Mean</u>	<u>S.D.</u>	<u>PROBSOL</u>	<u>COMPRO</u>	<u>AGGRES</u>	<u>RCNXIM</u>	<u>VCNXIM</u>	<u>SATNEG</u>
Retailer's use of problem solving strategy	6.024	0.795	-					
Retailer's use of compromise strategy	4.74	0.999	0.376***	-				
Retailer's use of aggressive strategy	5.45	1.026	0.521***	0.254**	-			
Retailer's concessions	18.01	7.69	-0.17	0.26**	0.08	-		
Vendor's concessions	17.40	8.01	0.104	0.134	0.19*	0.10	-	
Retailer's satisfaction with negotiations	5.11	1.34	0.245***	0.021	-0.03	-0.19*	0.282***	-

* p < 0.10

** p < 0.05

*** p < 0.01

Table 5-14

Regression Equations and Estimated Standardized Coefficients
for Retailer's Satisfaction with Negotiations

$$\text{SATNEG} = b_{200} + b_{201} \text{ PROBSOL} + b_{202} \text{ COMPRO} + b_{203} \text{ AGGRES} + \\ b_{204} \text{ RCNXIM} + b_{205} \text{ VCNXIM} \dots\dots\dots (20)$$

20. Dependent variable: SATNEG

$F(5,83) = 6.057^{***}$

Adj. $R^2 = 0.27$

<u>Independent variables</u>	<u>Standardized coefficients</u>
PROBSOL	0.497***
COMPRO	-0.111
AGGRES	-0.239**
RCNXIM	-0.192**
VCNXIM	0.318***

* $p < 0.10$

** $p < 0.05$

*** $p < 0.01$

Legends

SATNEG = Retailer's satisfaction with the negotiations
 PROBSOL = Retailer's use of problem solving strategy
 COMPRO = Retailer's use of compromise strategy
 AGGRES = Retailer's use of aggressive strategy
 RCNXIM = Concessions made by the retailer weighted by
 retailer's importance of various issues
 VCNXIM = Concessions made by the vendor weighted by vendor's
 importance of various issues

CHAPTER 6 DISCUSSION

Overview

This dissertation indicates that a key determinant of negotiation behaviors in retail settings is the extent to which retailers and vendors have a long-term orientation. The results of this dissertation clearly demonstrate that a retailer's long-term orientation affects the retailer's initial offer, the communication behaviors during the negotiation, the conflict resolution strategies employed by the retailer, and finally the outcomes obtained by the retailer from the negotiation. In spite of the numerous conceptual papers on long-term relationships (Dwyer, Schurr, and Oh 1986; Frazier, Spekman, and O'Neal 1989), this is the first dissertation which looks empirically at the impact of such an orientation on the behavior of channel members.

Contributions of the Dissertation

To the best of my knowledge, this dissertation is the first empirical attempt to test the implications of long-term relationships. Previous studies in marketing have either conceptually addressed the characteristics of long-term relationships (Dwyer et al. 1986) or empirically looked at the antecedents of relational exchanges (Heide and John 1990; Noordewier et al. 1990). However, no study has empirically

studied the antecedents of long-term relationships, the dimensions of long-term relationships, and their subsequent impact on negotiation process and outcomes.

The first part of this dissertation focussed on developing a model of long-term orientation in retail setting and empirically testing the relationship between long-term orientation and its antecedent conditions. The first general hypothesis in this section suggested that long-term relationships emerge as responses to safeguarding transaction specific assets and adapting to uncertainty. Overall, the model showed reasonable support for the hypotheses involving transaction specific assets of the vendor and the emergence of long-term relationships. However, the effect of uncertainty was not found. The second model in this section extended this general hypothesis by including certain relationship variables such as trust, satisfaction, and perception of the vendor' long-term orientation. The general hypothesis of this section, suggested that close relationships emerge not only as a result of transaction specific assets and uncertainty but also due to trust, satisfaction and the extent to which the other party is interested in developing a long-term relationship. All the hypotheses in this sections were supported except for the effect of organizational trust on long-term orientation. Thus, this dissertation extends previous research in this area (Heide and John 1990) by including relationship factors along with transaction cost factors.

The next section of the dissertation focussed on the effect of long-term orientation on the initial offers made by a retailer and vendor. The overall conclusion from the results obtained in this section indicate that initial offers made by retailers and vendors are affected by the nature of relationship. Specifically, retailers who are long-term oriented make initial offers close to their aspiration levels and do not indulge in game-playing (which involves deliberate high initial offers and subsequent concessions from the high initial offers).

The sections on message sending behavior and conflict resolution offer strong insights into the nature of bargaining in long-term relationships. First of all, the results suggest that negotiations in a retailing context may be much more complex than a bipolar integrative/distributive perspective would seem to suggest. The results indicate that even when vendors and retailers are long-term oriented, under high disagreements, both problem solving and aggressive strategies are used to a greater or lesser extent. In contrast, under low disagreements, the use of compromise and aggressive strategies seem to be the predominant modes of conflict resolution. This is the first empirical study which indicates that the use of problem solving, aggressive and compromise strategies are moderated by the nature of disagreements. In fact the use of compromise strategy in low disagreements, and the use of problem solving in high disagreements reflect a successful heuristic on the part of

retailers. Problem solving strategy requires searching for solutions which satisfy the interests of both parties, and is not a worthwhile strategy to use in minor disagreements because of the high costs in time and effort required to identify integrative solutions. In contrast, though the use of compromise strategy might not yield high outcomes and lead to sub-optimal solutions, its use in minor disagreements suggests that retailers are willing to use compromise strategy because of the lower effort and cost associated with compromises on various issues. The costs associated with the search for integrative solutions during minor disagreements may far outweigh the benefits obtained through the use of problem solving strategy; and consequently, the use of compromise strategy. On the other hand, the use of problem solving in high disagreements leads to solutions which substantially increase the outcomes obtained by the retailers. In other words, the payoffs associated with the use of problem solving strategy for major disagreements is far greater than the costs associated with the search for integrative solutions.

Finally, although retailers use both aggressive and problem solving strategies in solving major disagreements, and both strategies lead to high outcomes (problem solving strategy lead to lower concessions by the retailer while aggressive strategy leads to higher concessions by the vendor), the use of problem solving strategy is positively related to the retailer's satisfaction with the negotiation

while aggressive strategy is negatively related to the retailer's satisfaction with the negotiation. In other words, though the retailer obtains high outcomes from using either problem solving or aggressive strategy, the satisfaction is much higher with the use of problem solving strategy. This empirical result offers strong support to the use of problem solving strategy for obtaining both high outcomes and satisfaction with the negotiation encounter. In addition, this also suggests that a retail buyer might deliberately want to encourage the vendor to engage in problem solving since this may lessen the vendor's use of aggressive strategy. This might be accomplished by demonstrating an ability and willingness on the part of the retailer to problem solve early in the negotiation by developing some specific proposals for consideration (e.g., ideas for increasing store displays, and cooperative advertising to increase sales rather than introducing ideas such as markdown money which focus on unsold inventory).

Directions for Future Research

The results of this dissertation indicate that the long-term orientation of a retailer affects the entire negotiation process and outcomes. The results of this dissertation offer interesting insights into the negotiation process and also, raise several issues. This section deals with some of the issues that need to be addressed by future researchers.

One of the interesting results obtained in this dissertation deals with the type of strategies used by retailers to resolve conflicts. The results indicate that when both the retailers and vendors are long-term oriented, the use of problem solving and aggressive conflict resolution strategies seems to predominate especially when the disagreements are major. In contrast, when retailers and vendors are long-term oriented, but the disagreements are minor, the use of compromise and aggressive strategies seem to be high. These results indicate that a retailer's long-term orientation does not preclude the use of aggressive strategies by retailers in retail bargaining. Therefore, one important issue that needs to be addressed is the extent to which different strategies (problem solving, aggressive, and compromise) are used by retailers in a particular negotiation. It is possible that bargaining strategies depend on whether it is a new task (such as beginning of a season buy) or mid-season task (e.g., when there is bargaining on cooperative advertising). One possible explanation, is that retailers use aggressive and problem solving strategies in negotiations in the beginning of the season and use compromise strategies for mid-season negotiations. Since, this dissertation mainly focussed on the beginning of the season negotiations, future research in this area should try to differentiate between negotiations in the beginning of the season and during the season.

Another possible research issue deals with the use of certain conflict resolution strategies for particular issues. For example, price negotiation could lead to the use of aggressive strategy while issues such as delivery, quality, displays and advertising support may lead to the use of problem solving and compromise strategies.

Another research issue deals with the timing of different strategies in a single bargaining encounter. One could argue that during the initial part of a bargaining encounter, a more aggressive posture is adopted by negotiators even in a long-term relationship, simply because the outcomes of the current bargaining would affect future bargaining between the two parties. In other words, the use of aggressive bargaining strategy in the initial stages may be a strategic posture on the part of the bargainers. On the other hand, retailers may tend to rely on problem solving strategies in the initial phase of the negotiations to establish potential benefits available in the relationship before using aggressive strategies to determine how the benefits should be distributed. Pruitt's (1981) studies seem to provide more support for the earlier position (aggressive strategy in the beginning) while Walton and McKersie (1965) appear to lean towards the latter view (problem solving strategy in the beginning). Future research should also investigate the reasons for the use of aggressive and compromise strategies in long-term relationships even though

these are not clearly the optimum strategies for such a relationship.

Another issue which needs to be addressed deals with the analysis of retailer-vendor dyadic data. This dissertation uses the data obtained from the retailer, and future studies should investigate the issues raised in this dissertation from a dyadic viewpoint. Specifically, the effect of communication tactics of the retailer on the vendor and vice versa could provide valuable insights into the nature of communication process between the retailer and vendor.

A final issue deals with developing a coding scheme for capturing the negotiation interaction between retailers and vendors. Very few studies have developed suitable means of coding negotiation interaction to determine the use of various communication tactics by negotiators. Donohue (1981) has done preliminary work in this area. However, the validity of Donohue's negotiation interaction category scheme needs to be tested in retail situations.

Consequences for Practice

This dissertation provides an integrative framework of the entire negotiation process and subsequent outcomes. The results from this dissertation indicate that developing a long-term orientation with a small number of vendors (or retailers) may be the key to higher profitability.¹ The

¹ Although this dissertation does not measure profitability per se, the measure of concessions by the vendors and

results indicate that when both parties are long-term oriented, major conflicts are resolved by problem solving and aggressive strategies. The use of problem solving and aggressive strategies also result in lower concessions by the retailer. However, the use of aggressive strategy by the retailer reduces the satisfaction of the retailer with the negotiations while the use of problem solving strategy increases the satisfaction with the negotiation. In other words, even though retailers use both aggressive and problem solving strategies to resolve major conflicts, the use of problem solving strategy results in higher outcomes and satisfaction which is not obtained by the use of aggressive strategy. These results offer a strong support for the development of a long-term orientation in a retailer.

From a managerial perspective, the results indicate that retailer managers need to inculcate a positive attitude in retail buyers towards developing long-term relationships with their vendors. This suggests that training programs in retail establishments should focus on teaching the usage of problem solving approach. Such programs could enhance the overall profitability of both the retailers and vendors.

retailers may be considered a surrogate measure of profitability. The measure of concessions focuses on 14 issues which exhaustively capture all the issues discussed in retail negotiations. A true measure of profitability would also consider the turnover of goods. The concessions as measured in this dissertation do not capture the turnover of goods but focus mainly on the margin associated with various goods.

Limitations

The results and the implications of this dissertation should be viewed in light of the research method employed. Though the tests of the models yield several results that are consistent with the hypotheses proposed in this dissertation, the fact that a cross-sectional design was used limits the ability to rule out alternative causal inferences.

For instance, the model in this dissertation is predicated under the assumption that long-term orientation plays a major role in the negotiation process and outcomes. Though the results support this general hypothesis, it is also conceivable that a reverse sequence of events is operating. Specifically, the outcomes from the current negotiation affect the negotiation process and long-term orientation of the retailer. This dissertation attempts to minimize the effect of this problem in two ways. One, the dissertation was done in two phases. In the first phase the orientation of the retail buyer towards long-term relationship with the vendor was measured and in the second phase the behaviors of the retailers in actual negotiations were measured. Thus, the problem with reverse causality of outcomes on antecedent constructs is eliminated. Second, the retail buyer was asked questions in the sequence the negotiations would have occurred. In other words, the first part of the questionnaire focussed on initial offers, the

second on messages sent by both parties, the third part on the level and intensity of disagreements, the fourth part on the conflict resolution strategy employed by retailer, and the final part dealt with the concessions made by retailer and vendor. Presumably, this process would have eliminated some of the effects of outcomes on the retailer's response to various process measures. However, this dissertation does not eliminate reverse causation through the effects of a construct in previous negotiation on the current negotiation. Such reverse causation cannot be eliminated without longitudinal data.

Furthermore, this dissertation examines only one dimension of long-term relationship i.e long-term orientation. In particular, the dissertation does not include any measures of relational norms (Dwyer et al. 1986; Kaufmann and Stern 1988; Macneil 1980). An interesting extension of the conceptual framework would include specifying the various dimensions of long-term relationships in the model.

Another limitation of the study deals with the restricted focus on a retail buyer's perspective of the whole negotiations process. In spite of the problems created by a one-sided perspective, this dissertation is consistent with previous research in the channels of distribution. Previous studies in marketing have looked at negotiations from a buyer or a seller's viewpoint using an experimental setup (Dwyer and Walker 1981; McAlister, Bazerman, and Fader 1986; Schurr and Ozanne 1984). This dissertation extends this viewpoint by

being externally valid through the introduction of actual retail buyers responding to questions dealing with issues found in retailing.² As part of the dissertation, data was also collected from the vendor's viewpoint (and therefore, both parts of the dyad). This dyadic data will be used in subsequent research.

Summary

The results of this dissertation indicate that long-term orientation in retail buyers results in higher outcomes. The dissertation shows that retail buyers who are long-term oriented and use problem solving conflict resolution strategy, make fewer concessions, but are most satisfied with the negotiation process and outcomes. The implications of these results for managers in retail establishments are enormous. Future training programs should focus on teaching retail buyers the use of problem solving conflict resolution strategies.

² Future research based on this data will test hypotheses dealing with the difference in long-term relationships and negotiations across firms, time of season, nature of the product etc. to provide stronger tests of external validity.

APPENDIX A
SURVEY OF RETAIL BUYERS: PART A

We are studying retailing department stores and their resources, with the objective of better understanding these relationships. Financial support for this project is being provided by the Center for Retailing at the University of Florida.

We appreciate your assistance in answering a few questions about your relationship with one of your vendors. Our sample is limited and therefore your responses are extremely important to us. Our pretests indicate that you should be able to complete this questionnaire in about 30 minutes. The questions are short and simple. We are just asking for your opinions and feelings, and there are no right or wrong answers.

The information you give us will be completely confidential. We will not reveal your responses to the vendor or retailer. Any information we give out will be averaged across many other retail buyers so that no one's answers can be determined.

We would very much appreciate your completing the questionnaire and returning it to us in the enclosed envelope before you go to market to negotiate with the vendor.

Thanks for your participation. In return for your assistance, we will send you an executive summary of our study.

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NAME OF RESOURCE: _____

Please make sure that it is the same resource you have selected on the previous page. Indicate the extent to which you agree or disagree with each statement below by circling the number that best expresses your opinion. There are no right or wrong answers. We just want your opinion on the relationship between you and this resource. Do not be concerned about giving different answers to questions that seem similar.

ALL THESE QUESTIONS SHOULD BE ANSWERED WITH RESPECT TO THE RESOURCE MENTIONED AT THE TOP OF THIS PAGE.

	Strongly Disagree						Strongly Agree
A) <u>Characteristics of the resource</u>							
1. It would be difficult for us to replace this resource.....1	2	3	4	5	6	7	
2. This resource's product lines are essential to round out our product offering.....1	2	3	4	5	6	7	
3. We possess more power than this resource in our relationship.....1	2	3	4	5	6	7	
4. We expect to continue buying goods from this resource for at least several more years.....1	2	3	4	5	6	7	
5. This resource has a reputation for being honest.....1	2	3	4	5	6	7	
6. We are important to this vendor.....1	2	3	4	5	6	7	
7. We have made significant investments in displays, trained salespeople etc. dedicated to our relationship with this vendor.....1	2	3	4	5	6	7	
8. If we switched to a competing resource, we would lose a lot of the investment we have made in this resource.....1	2	3	4	5	6	7	
9. We are dependent on this resource.....1	2	3	4	5	6	7	
10. This resource is important to our business.....1	2	3	4	5	6	7	
11. This resource is more powerful than us...1	2	3	4	5	6	7	
12. The likelihood of this relationship breaking down is high.....1	2	3	4	5	6	7	
13. This resource has a reputation for being concerned about retailers.....1	2	3	4	5	6	7	
14. We are a major outlet for this vendor in our trading area.....1	2	3	4	5	6	7	

	Strongly Disagree				Strongly Agree		
15. This vendor has tailored its merchandise and procedures to meet the specific needs of our company.....1	2	3	4	5	6	7	
16. If we decided to stop working with this resource, we would be wasting a lot of knowledge regarding their method of operation.....1	2	3	4	5	6	7	
17. There are many other resources who could meet our requirements.....1	2	3	4	5	6	7	
18. This resource is crucial to our future performance.....1	2	3	4	5	6	7	
19. We need this resource more than they need us.....1	2	3	4	5	6	7	
20. We expect to interact with this resource in future.....1	2	3	4	5	6	7	
21. If our relationship was discontinued with this resource, we would have difficulty in making up the sales volume in our trading area.....1	2	3	4	5	6	7	
22. It is hard for a new vendor to adjust to our requirements quickly.....1	2	3	4	5	6	7	
23. This resource has gone out of their way to link us with their business.....1	2	3	4	5	6	7	
24. This resource has products which have a strong customer franchise.....1	2	3	4	5	6	7	
25. We do not expect this relationship to continue for long.....1	2	3	4	5	6	7	
26. If our relationship with this resource was discontinued, the resource would have difficulty selling their products in our trading area.....1	2	3	4	5	6	7	
27. Our procedures (billing, order processing etc.) are quite different from our competitors.....1	2	3	4	5	6	7	
28. It would be difficult for this resource to recoup its investment in us if they switched to another retailer as an outlet for their products.....1	2	3	4	5	6	7	
29. This resource's products generate a high sales volume in my department.....1	2	3	4	5	6	7	

	Strongly Disagree				Strongly Agree		
30. This resource has a bad reputation in the market.....1	2	3	4	5	6	7	
31. This resource is not very important to us.....1	2	3	4	5	6	7	
32. Our firm is closely linked with this resource in the eyes of our customer?.....1	2	3	4	5	6	7	
33. We have invested a great deal in building up this resource's business.....1	2	3	4	5	6	7	
34. We do not have a good alternative to this resource.....1	2	3	4	5	6	7	
35. Most retailers would like to deal with this resource.....1	2	3	4	5	6	7	
36. If our relationship was discontinued, we would have difficulty replacing this resource.....1	2	3	4	5	6	7	
37. We have invested substantially in personnel dedicated to this resource.....1	2	3	4	5	6	7	

B) Nature of the relationship

1. We trust this resource.....1	2	3	4	5	6	7	
2. This resource has been frank in dealing with us.....1	2	3	4	5	6	7	
3. Promises made by this resource are reliable.....1	2	3	4	5	6	7	
4. We are satisfied with the relationship with this resource.....1	2	3	4	5	6	7	
5. If problems such as shipment delays arise, this resource is honest about the problems..1	2	3	4	5	6	7	
6. This resource is not open in dealing with us.....1	2	3	4	5	6	7	
7. We do not have a good relationship with this resource.....1	2	3	4	5	6	7	
8. This resource has gone out of its way to help us out.....1	2	3	4	5	6	7	
9. We request a written letter backing up this resource's promise.....1	2	3	4	5	6	7	
10. We like this resource.....1	2	3	4	5	6	7	
11. This resource has been consistent in terms of their policies.....1	2	3	4	5	6	7	

	Strongly Disagree				Strongly Agree		
12. We inspect all the goods supplied by this resource carefully.....1	2	3	4	5	6	7	
13. This resource was fair to us in the past 1	2	3	4	5	6	7	
14. This resource considers our interests when problems arise.....1	2	3	4	5	6	7	
15. This resource cares for us.....1	2	3	4	5	6	7	
16. This resource always acts in its self-interest.....1	2	3	4	5	6	7	
17. In the past the deals between this resource and us have been fair to both parties.....1	2	3	4	5	6	7	
18. This resource has made sacrifices for us in the past.....1	2	3	4	5	6	7	
19. I trust this resource's representative...1	2	3	4	5	6	7	
20. This resource's representative has been frank in dealing with us.....1	2	3	4	5	6	7	
21. Most retailers think that this resource has a reputation for being fair.....1	2	3	4	5	6	7	
22. Promises made by this resource's representative are reliable.....1	2	3	4	5	6	7	
23. If problems such as shipment delays arise, the resource's representative is honest about the problems.....1	2	3	4	5	6	7	
24. This resource's representative is not open in dealing with us.....1	2	3	4	5	6	7	
25. For the amount of inputs both parties have put in, the benefits have been fair to both.1	2	3	4	5	6	7	
26. This resource's representative has often gone out of his/her way to help us.....1	2	3	4	5	6	7	
27. We think this resource got more out of the past deals than we have.....1	2	3	4	5	6	7	
28. This resource's representative does not make false claims.....1	2	3	4	5	6	7	
29. I request a written letter backing up the promises made by the resource's representative.....1	2	3	4	5	6	7	
30. This resource's representative is knowledgeable regarding his/her products.....1	2	3	4	5	6	7	

	Strongly Disagree				Strongly Agree		
31. The resource's representative is always on top of the things related to his/her job....1	2	3	4	5	6	7	
32. Over the years both this resource and us have obtained nearly equal benefits.....1	2	3	4	5	6	7	
33. The resource's representative offers innovative solutions to problems.....1	2	3	4	5	6	7	
34. The resource's representative has problems answering our questions.....1	2	3	4	5	6	7	
35. I have a close relationship with the resource's representative.....1	2	3	4	5	6	7	
36. The resource's representative is like a friend.....1	2	3	4	5	6	7	
37. I like the resource's representative.....1	2	3	4	5	6	7	
38. We think we got more out of the past deals than this resource.....1	2	3	4	5	6	7	
39. I check the statements made by the resource's representative with other sources.....1	2	3	4	5	6	7	
40. We like to settle all issues upfront with this resource's representative.....1	2	3	4	5	6	7	
41. This resource's representative cares for us.....1	2	3	4	5	6	7	
42. This resource's representative has made sacrifices for us in the past.....1	2	3	4	5	6	7	
43. In times of shortages, this resource's representative has gone out on a limb for us.....1	2	3	4	5	6	7	
44. We feel the resource's representative has been on our side.....1	2	3	4	5	6	7	
45. I believe the resource's representative..1	2	3	4	5	6	7	
46. The outcomes of negotiations with this resource in the past have been better than expected.....1	2	3	4	5	6	7	
47. The performance of this resource has been better than expected.....1	2	3	4	5	6	7	

48. Considering all previous negotiations with this resource:

1	2	3	4	5	6	7
We came out better			We both benefitted equally			The resource came out better

49. Describe your feelings with respect to the negotiation outcomes with this resource in the past one year;

a. Pleased	1	2	3	4	5	6	7 Displeased
b. Sad	1	2	3	4	5	6	7 Happy
c. Contented	1	2	3	4	5	6	7 Disgusted
d. Dissatisfied	1	2	3	4	5	6	7 Satisfied

C) Orientation of the relationship

		Strongly Disagree					Strongly Agree
1. We would like to develop a long-term relationship with this resource.....	1	2	3	4	5	6	7
2. We are willing to make sacrifices to help this resource from time to time.....	1	2	3	4	5	6	7
3. We believe that over the long-run this relationship will be profitable.....	1	2	3	4	5	6	7
4. Any concessions we make to help out this resource will even out in the long-run.....	1	2	3	4	5	6	7
5. We focus on long-term goals in this relationship.....	1	2	3	4	5	6	7
6. We share our long-term goals with this resource.....	1	2	3	4	5	6	7
7. We expect this resource to be working with us for a long time.....	1	2	3	4	5	6	7
8. Maintaining a long-term relationship with this resource is important to us.....	1	2	3	4	5	6	7
9. We are only concerned with our outcomes in this relationship.....	1	2	3	4	5	6	7
10. We would be wary of making long-term concessions to this resource.....	1	2	3	4	5	6	7
11. We would not hesitate to replace this resource.....	1	2	3	4	5	6	7
12. We are in search of alternative resources to replace this resource.....	1	2	3	4	5	6	7

	Strongly Disagree				Strongly Agree			
13. We often play one resource against the other to obtain the best possible deal.....1	2	3	4	5	6	7		
14. Our philosophy has been to obtain the maximum benefits at the resource's expense..1	2	3	4	5	6	7		
15. We look at each negotiation as a win-lose situation.....1	2	3	4	5	6	7		
16. We deal with this resource season to season as opposed to multiple seasons.....1	2	3	4	5	6	7		
17. We have to be under constant watch when we deal with this resource.....1	2	3	4	5	6	7		
18. We buy from this resource to fulfill our immediate needs.....1	2	3	4	5	6	7		
19. Once our short-term needs are fulfilled, this resource has no future with us.....1	2	3	4	5	6	7		
20. Our relationship with this resource is based on a need to fill up a gap in our product assortment.....1	2	3	4	5	6	7		
21. Our relationship with this resource will exist only as long as their products are "hot".....1	2	3	4	5	6	7		
22. Negotiating with this resource requires a lot of planning on our part.....1	2	3	4	5	6	7		
23. We plan for a complete review of the resource's performance.....1	2	3	4	5	6	7		
24. We have projections for future demand of the resource's products before our negotiations with them.....1	2	3	4	5	6	7		
25. If we do not prepare for this resource, we are likely to get burnt during the negotiations.....1	2	3	4	5	6	7		
26. This resource is interested in developing a long-term relationship with us.....1	2	3	4	5	6	7		
27. This resource is willing to make sacrifices to help us from time to time.....1	2	3	4	5	6	7		
28. This resource believes that over the long-run their relationship with us will be profitable.....1	2	3	4	5	6	7		
29. This resource believes that any concessions they make will even out in the long run.....1	2	3	4	5	6	7		

	Strongly Disagree				Strongly Agree		
30. This resource is not concerned with current outcomes.....	1	2	3	4	5	6	7
31. The resource has long-term goals when dealing with us.....	1	2	3	4	5	6	7
32. The resource expects to be supplying for a long time to us.....	1	2	3	4	5	6	7
33. Maintaining a long-term relationship with us is very important to this resource.....	1	2	3	4	5	6	7
34. The resource is wary of making many concessions to us.....	1	2	3	4	5	6	7
35. The resource would not hesitate to stop supplying to us.....	1	2	3	4	5	6	7
36. The resource has short-term goals with respect to us.....	1	2	3	4	5	6	7
37. The resource looks at each negotiation as a win-lose situation.....	1	2	3	4	5	6	7
38. The resource is careful when dealing with us.....	1	2	3	4	5	6	7

D) Market Conditions

1. How would you describe the market for the product you buy from this vendor compared to other products in general?

a) Complex	1	2	3	4	5	6	7 Simple
b) Stable market shares	1	2	3	4	5	6	7 Volatile market shares
c) Easy to monitor trends	1	2	3	4	5	6	7 Difficult to monitor trends
d) Few new products	1	2	3	4	5	6	7 Many new products
e) Stable industry volume	1	2	3	4	5	6	7 Volatile industry volume
f) Sales forecasts are accurate	1	2	3	4	5	6	7 Sales forecasts are inaccurate

- | | | | | | | | |
|------------------------------|---|---|---|---|---|---|---------------------------|
| g) Unpredi-
ctable demand | 1 | 2 | 3 | 4 | 5 | 6 | 7 Predictable
demand |
| h) Few new
competitors | 1 | 2 | 3 | 4 | 5 | 6 | 7 Many new
competitors |

E) Buyer's profile

1. What category of merchandise do you buy for your company at present:

2. How many years experience do you have in buying merchandise for retail organizations: _____ years.
3. How many years experience do you have in buying merchandise for this particular retail organization: _____ years.
4. How many years experience do you have in buying merchandise in the category of merchandise indicated above : _____ years.
5. How many years experience do you have in buying merchandise from this particular vendor: _____ years.
6. How many resources do you currently deal with in the above mentioned product category: _____ .
7. What percentage of the volume in this category is accounted for by this resource: _____ %.

Thank you very much for completing this survey. As a part of this project, we will be sending you a second questionnaire after your negotiations with this resource. In order to mail this survey and a copy of our results to you, we would like your name and address. Once again all your responses will be totally confidential.

Name: _____ .

Address: _____
_____ .

Ph. No. _____ .

APPENDIX B
SURVEY OF RETAIL BUYERS: PART B

Thank you for filling out the questionnaire related to the first part of our project. In this last part of the project, we would like you to answer a few questions on the negotiations you have had with the resource recently. The information you provide will be completely confidential; no one will be provided access to your answers under any circumstance. Any information we give out will be averaged across other retail buyers to ensure complete confidentiality of individual buyers.

We would very much appreciate your completing and returning the questionnaire to us in the enclosed envelope within two weeks. Since you have already completed the first part of our project, your response to this questionnaire becomes extremely important and essential. Our pretests indicate that it will take about 30 minutes to respond to this questionnaire.

Once again we thank you for your participation in the project. In return for your assistance, we will send you an executive summary of our study.

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Your name: _____ Your firm: _____

In the first part of our project, you had described your relationship with _____ resource.

In this part of the project, we would like you to answer some questions regarding the most recent negotiation you had with the above resource. For example, you may have had negotiations with this vendor recently for the summer or fall season merchandise. Please try to remember the negotiation you had with this particular resource and answer the following questions. We would like to remind you that all your responses should pertain only to the above resource. Also, we are just asking for your opinions and feelings, and there are no right or wrong answers.

SECTION A: INITIAL OFFER

In this section, we are interested in the initial offers made by you and the resource. Initial offer refers to the very first offer made by you and the resource.

1. Did you make the initial offer?

_____ Yes [If yes, go to page 3 and answer questions in Section A2 (retailer's initial offer) first. After finishing Section A2, come back to Section A1 on this page Then answer questions 2 and 3 on pages 1 and 2. After completing this section, proceed to Section B].

_____ No [If no, proceed to Section A1 (resource's initial offer) below and answer all questions sequentially].

SECTION A1: RESOURCE'S INITIAL OFFER

If the resource made the initial offer, answer questions 2 and 3 with respect to that initial offer. If you made the initial offer, respond to questions 2 and 3 with respect to resource's response to your initial offer.

2. Please rate the **resource's** initial offer (or the resource's response to your initial offer) with respect to **your goals before the beginning of negotiation**

(If the resource did not make any explicit initial offer on a particular issue, circle "NO" (No offer) and skip the issue]

	No Offer	Much worse than our expectations					Much better than our expectations		
1) Quality of the product	NO	1	2	3	4	5	6	7	
2) Price and Markup	NO	1	2	3	4	5	6	7	
3) Delivery	NO	1	2	3	4	5	6	7	
4) Gross margin	NO	1	2	3	4	5	6	7	

	No Offer	Much worse than our expectations				Much better than our expectations			
5) Exclusive selling rights	NO	1	2	3	4	5	6	7	
6) Freight expenses	NO	1	2	3	4	5	6	7	
7) Training	NO	1	2	3	4	5	6	7	
8) Instore promotion	NO	1	2	3	4	5	6	7	
9) Cooperative advertising	NO	1	2	3	4	5	6	7	
10) Markdown money	NO	1	2	3	4	5	6	7	
11) Full guarantee	NO	1	2	3	4	5	6	7	
12) Quantity discounts	NO	1	2	3	4	5	6	7	
13) Returns	NO	1	2	3	4	5	6	7	
14) Premarking and packing	NO	1	2	3	4	5	6	7	

3. Please rate the resource's initial offer (or the resource's response to your initial offer) with respect to your perception of the resource's expected final settlement

(If the resource did not make an explicit initial offer on a particular issue, circle "NO" (No offer) and skip the issue]

	No Offer	Worst offer vendor could make				Best offer vendor could make			
1) Quality of the product	NO	1	2	3	4	5	6	7	
2) Price and Markup	NO	1	2	3	4	5	6	7	
3) Delivery	NO	1	2	3	4	5	6	7	
4) Gross margin	NO	1	2	3	4	5	6	7	
5) Exclusive selling rights	NO	1	2	3	4	5	6	7	
6) Freight expenses	NO	1	2	3	4	5	6	7	
7) Training	NO	1	2	3	4	5	6	7	
8) Instore promotion	NO	1	2	3	4	5	6	7	
9) Cooperative advertising	NO	1	2	3	4	5	6	7	
10) Markdown money	NO	1	2	3	4	5	6	7	

	No Offer	Worst offer vendor could make				Best offer vendor could make			
11) Full guarantee	NO	1	2	3	4	5	6	7	
12) Quantity discounts	NO	1	2	3	4	5	6	7	
13) Returns	NO	1	2	3	4	5	6	7	
14) Premarking and packing	NO	1	2	3	4	5	6	7	

SECTION A2: RETAILER'S INITIAL OFFER

If you made the initial offer, respond to question 4 with respect to that initial offer. If the resource made the initial offer, respond to question 4 with respect to your response to that initial offer.

4. Please rate your initial offer (or your response to resource's initial offer) with respect to your final expected settlement
(If you did not make an explicit initial offer on a particular issue, circle "NO" and skip the issue)

	No Offer	Much worse than our final expectations				Much better than our final expectations			
1) Quality of the product	NO	1	2	3	4	5	6	7	
2) Price and Markup	NO	1	2	3	4	5	6	7	
3) Delivery	NO	1	2	3	4	5	6	7	
4) Gross margin	NO	1	2	3	4	5	6	7	
5) Exclusive selling rights	NO	1	2	3	4	5	6	7	
6) Freight expenses	NO	1	2	3	4	5	6	7	
7) Training	NO	1	2	3	4	5	6	7	
8) Instore promotion	NO	1	2	3	4	5	6	7	
9) Cooperative advertising	NO	1	2	3	4	5	6	7	
10) Markdown money	NO	1	2	3	4	5	6	7	
11) Full guarantee	NO	1	2	3	4	5	6	7	
12) Quantity discounts	NO	1	2	3	4	5	6	7	
13) Returns	NO	1	2	3	4	5	6	7	
14) Premarking and packing	NO	1	2	3	4	5	6	7	

SECTION B: MESSAGES SENT BY YOU AND THE RESOURCE DURING NEGOTIATION

In this section, we want you to describe what went on during the negotiations. Specifically, what kind of messages were sent by you and the resource during the negotiations.

Retailer's message sending behaviors

	Strongly Disagree				Strongly Agree		
1. We were frank in dealing with this resource.....	1	2	3	4	5	6	7
2. There were some things we were careful about telling the resource.....	1	2	3	4	5	6	7
3. We communicated our priorities clearly to the resource.....	1	2	3	4	5	6	7
4. We asked many questions about the resource's priorities.....	1	2	3	4	5	6	7
5. We threatened to break off negotiations with the resource.....	1	2	3	4	5	6	7
6. We indicated that we wanted to deal with other resources.....	1	2	3	4	5	6	7
7. We made implicit threats to the resource...	1	2	3	4	5	6	7
8. We expressed displeasure with the resource's behavior.....	1	2	3	4	5	6	7
9. We were committed to our initial position during the negotiation.....	1	2	3	4	5	6	7
10. We commanded a better deal from the resource.....	1	2	3	4	5	6	7
11. We emphasized the rewards available to both parties from a successful deal.....	1	2	3	4	5	6	7
12. We kept the resource well informed of our needs throughout the negotiation.....	1	2	3	4	5	6	7
13. We hesitated to give this resource a lot of information.....	1	2	3	4	5	6	7
14. We indicated a need for both parties to be fully satisfied.....	1	2	3	4	5	6	7

Perception of resource's message sending behavior

	Strongly Disagree				Strongly Agree		
1. The resource was frank in dealing with us..	1	2	3	4	5	6	7
2. We felt that the resource was hiding some thing from us.....	1	2	3	4	5	6	7
3. The resource communicated their priorities clearly to us.....	1	2	3	4	5	6	7
4. The resource asked many questions about our priorities.....	1	2	3	4	5	6	7
5. The resource threatened to break off negotiations with us.....	1	2	3	4	5	6	7
6. The resource indicated that they wanted to deal with other retailers.....	1	2	3	4	5	6	7
7. The resource made implicit threats to us...	1	2	3	4	5	6	7
8. The resource expressed displeasure with our behavior.....	1	2	3	4	5	6	7
9. The resource was committed to their initial position during the negotiation.....	1	2	3	4	5	6	7
10. The resource commanded a better deal from us.....	1	2	3	4	5	6	7
11. The resource emphasized the rewards available to both parties from a successful deal.....	1	2	3	4	5	6	7
12. The resource kept us well informed of their needs throughout the negotiation.....	1	2	3	4	5	6	7
13. The resource hesitated to give us a lot of information.....	1	2	3	4	5	6	7
14. The resource indicated a need for both parties to be fully satisfied.....	1	2	3	4	5	6	7

SECTION C: DISAGREEMENTS AND RESOLUTION OF CONFLICTS

In this section, we want you to know if there were disagreements between you and the resource and how you resolved these disagreements.

Importance of the issues

1: Please rate each of the following issues in terms of their importance to you and the resource:
(Even if the issue was not negotiated, please respond to the question)

	Importance to you							Importance to the resource						
	Unimportant			Very important				Unimportant			Very important			
1) Quality of the product	1	2	3	4	5	6	7	1	2	3	4	5	6	7
2) Price and Markup	1	2	3	4	5	6	7	1	2	3	4	5	6	7
3) Delivery	1	2	3	4	5	6	7	1	2	3	4	5	6	7
4) Gross margin	1	2	3	4	5	6	7	1	2	3	4	5	6	7
5) Exclusive selling rights	1	2	3	4	5	6	7	1	2	3	4	5	6	7
6) Freight expenses	1	2	3	4	5	6	7	1	2	3	4	5	6	7
7) Training	1	2	3	4	5	6	7	1	2	3	4	5	6	7
8) Instore promotion	1	2	3	4	5	6	7	1	2	3	4	5	6	7
9) Cooperative advertising	1	2	3	4	5	6	7	1	2	3	4	5	6	7
10) Markdown money	1	2	3	4	5	6	7	1	2	3	4	5	6	7
11) Full guarantee	1	2	3	4	5	6	7	1	2	3	4	5	6	7
12) Quantity discounts	1	2	3	4	5	6	7	1	2	3	4	5	6	7
13) Returns	1	2	3	4	5	6	7	1	2	3	4	5	6	7
14) Premarking and packing	1	2	3	4	5	6	7	1	2	3	4	5	6	7

Time spent on issues

2. Please indicate the amount of time spent on discussing the issues that were discussed during the negotiations.

[If you did not discuss a particular issue, please circle "ND" (Not Discussed) and skip the issue]

	Not Discussed	Very little time					Most of negotiations	
1) Quality of the product	NO	1	2	3	4	5	6	7
2) Price and Markup	NO	1	2	3	4	5	6	7
3) Delivery	NO	1	2	3	4	5	6	7
4) Gross margin	NO	1	2	3	4	5	6	7
5) Exclusive selling rights	NO	1	2	3	4	5	6	7
6) Freight expenses	NO	1	2	3	4	5	6	7
7) Training	NO	1	2	3	4	5	6	7
8) Instore promotion	NO	1	2	3	4	5	6	7
9) Cooperative advertising	NO	1	2	3	4	5	6	7
10) Markdown money	NO	1	2	3	4	5	6	7
11) Full guarantee	NO	1	2	3	4	5	6	7
12) Quantity discounts	NO	1	2	3	4	5	6	7
13) Returns	NO	1	2	3	4	5	6	7
14) Premarking and packing	NO	1	2	3	4	5	6	7

Intensity of disagreements

3. Please rate the discussion between you and the resource on the issues that were discussed in terms of the amount of disagreement and the extent to which the discussion was conflictual

[If you did not discuss a particular issue, circle "ND" (Not Discussed) and skip the issue]

	Not Discussed	No Disagreement							Intense Disagreement				Conflictual			Constructive		
1) Quality of the product	ND	1	2	3	4	5	6	7	-3	-2	-1	0	1	2	3			
2) Price and Markup	ND	1	2	3	4	5	6	7	-3	-2	-1	0	1	2	3			

	Not Discussed	No Disagreement							Intense Disagreement				Conflictual				Constructive		
3) Delivery	ND	1	2	3	4	5	6	7	-3	-2	-1	0	1	2	3				
4) Gross margin	ND	1	2	3	4	5	6	7	-3	-2	-1	0	1	2	3				
5) Exclusive selling rights	ND	1	2	3	4	5	6	7	-3	-2	-1	0	1	2	3				
6) Freight expenses	ND	1	2	3	4	5	6	7	-3	-2	-1	0	1	2	3				
7) Training	ND	1	2	3	4	5	6	7	-3	-2	-1	0	1	2	3				
8) Instore promotion	ND	1	2	3	4	5	6	7	-3	-2	-1	0	1	2	3				
9) Cooperative advertising	ND	1	2	3	4	5	6	7	-3	-2	-1	0	1	2	3				
10) Markdown money	ND	1	2	3	4	5	6	7	-3	-2	-1	0	1	2	3				
11) Full guarantee	ND	1	2	3	4	5	6	7	-3	-2	-1	0	1	2	3				
12) Quantity discounts	ND	1	2	3	4	5	6	7	-3	-2	-1	0	1	2	3				
13) Returns	ND	1	2	3	4	5	6	7	-3	-2	-1	0	1	2	3				
14) Premarking and packing	ND	1	2	3	4	5	6	7	-3	-2	-1	0	1	2	3				

Conflict resolution

	Strongly Disagree							Strongly Agree		
1. We lean towards a direct discussion of the problem with this resource.....	1	2	3	4	5	6	7			
2. We avoid taking positions which would create controversy.....	1	2	3	4	5	6	7			
3. We try to find a compromise solution.....	1	2	3	4	5	6	7			
4. We attempt to deal with all of our concerns and the resource's concerns.....	1	2	3	4	5	6	7			
5. We are firm in pursuing our goals.....	1	2	3	4	5	6	7			
6. We try to soothe the resource's feelings and preserve our relationship.....	1	2	3	4	5	6	7			
7. We sacrifice our wishes for the wishes of the resource.....	1	2	3	4	5	6	7			

	Strongly Disagree				Strongly Agree		
8. We seek the resource's help in working out a solution.....	1	2	3	4	5	6	7
9. We try to do what is necessary to avoid tensions.....	1	2	3	4	5	6	7
10. We attempt to get all our concerns and issues out in the open.....	1	2	3	4	5	6	7
11. We share the problem with the resource so that we can work it out.....	1	2	3	4	5	6	7
12. We tell the resource our ideas and ask them for their ideas.....	1	2	3	4	5	6	7
13. We try to show this resource the logic and benefits of our position.....	1	2	3	4	5	6	7
14. If it makes this resource happy, I let them maintain their views.....	1	2	3	4	5	6	7
15. We postpone the issue to avoid dealing with it.....	1	2	3	4	5	6	7
16. We attempt to work through our differences as quickly as possible.....	1	2	3	4	5	6	7
17. We try to find a fair combination of gains and losses for both of us.....	1	2	3	4	5	6	7
18. We will let this resource have some of their positions if they let us have some of ours...	1	2	3	4	5	6	7
19. We try to find a position that is intermediate between their position and our position.....	1	2	3	4	5	6	7
20. We try not to hurt the resource's feelings.....	1	2	3	4	5	6	7
21. We are concerned with satisfying all our wishes.....	1	2	3	4	5	6	7
22. We try to win our position.....	1	2	3	4	5	6	7
23. We make effort to get our way.....	1	2	3	4	5	6	7
24. We press to get our points made.....	1	2	3	4	5	6	7
25. We assert our wishes.....	1	2	3	4	5	6	7
26. We propose a middle ground.....	1	2	3	4	5	6	7

SECTION D: CONCESSSIONS MADE BY YOU AND THE RESOURCE

Finally, we want to know about the concessions made by you and the resource in order to come to an agreement.

1. Please indicate the nature of concessions you made to the resource on the following issues and the concessions made by the resource to you [If you did not discuss a particular issue, circle "ND" (Not Discussed), and skip the issue]

	Concessions made by you							Concessions made by the resource						
	Made very few concessions			Made a lot of concessions				Made very few concessions			Made a lot of concessions			
1) Quality of the product	1	2	3	4	5	6	7	1	2	3	4	5	6	7
2) Price and Markup	1	2	3	4	5	6	7	1	2	3	4	5	6	7
3) Delivery	1	2	3	4	5	6	7	1	2	3	4	5	6	7
4) Gross margin	1	2	3	4	5	6	7	1	2	3	4	5	6	7
5) Exclusive selling rights	1	2	3	4	5	6	7	1	2	3	4	5	6	7
6) Freight expenses	1	2	3	4	5	6	7	1	2	3	4	5	6	7
7) Training	1	2	3	4	5	6	7	1	2	3	4	5	6	7
8) Instore promotion	1	2	3	4	5	6	7	1	2	3	4	5	6	7
9) Cooperative advertising	1	2	3	4	5	6	7	1	2	3	4	5	6	7
10) Markdown money	1	2	3	4	5	6	7	1	2	3	4	5	6	7
11) Full guarantee	1	2	3	4	5	6	7	1	2	3	4	5	6	7
12) Quantity discounts	1	2	3	4	5	6	7	1	2	3	4	5	6	7
13) Returns	1	2	3	4	5	6	7	1	2	3	4	5	6	7
14) Premarking and packing	1	2	3	4	5	6	7	1	2	3	4	5	6	7

SECTION E: NEGOTIATION OUTCOMES

In this section, we want to know the final outcomes obtained by you and the resource.

1. How would you rate the overall outcomes of this negotiation compared to all the negotiations with this resource during the past one year;

Same as all
previous
negotiations

Much Better	1	2	3	4	5	6	7	Much Worse
Bad	1	2	3	4	5	6	7	Good
Satisfactory	1	2	3	4	5	6	7	Unsatisfactory
Inferior	1	2	3	4	5	6	7	Superior

2. How would you rate the outcomes of this negotiation compared to the outcomes you could obtain from the best alternative resource:

Same as
outcomes from
alternative resources

Much Better	1	2	3	4	5	6	7	Much Worse
Bad	1	2	3	4	5	6	7	Good
Satisfactory	1	2	3	4	5	6	7	Unsatisfactory
Inferior	1	2	3	4	5	6	7	Superior

3. How would you rate the outcomes of this negotiation compared to what your competitors would have obtained (Give us your best estimate) :

Same as outcomes
obtained by competitors

Much Better	1	2	3	4	5	6	7	Much Worse
Bad	1	2	3	4	5	6	7	Good
Satisfactory	1	2	3	4	5	6	7	Unsatisfactory
Inferior	1	2	3	4	5	6	7	Superior

Satisfaction with outcome

4. How satisfied are you with the outcomes of this negotiation.

Very Satisfied	1	2	3	4	5	6	7	Very Dissatisfied
Very Little	1	2	3	4	5	6	7	A lot

SECTION F: DIFFICULTY WITH RECALLING NEGOTIATIONS

In this section, we want to know about your reactions to this questionnaire. Specifically, we want to know how difficult it was for you to recollect all the information about the negotiation with this particular resource.

		Strongly Disagree						Strongly Agree
1. I was able to recall the entire negotiations with this resource.....	1	2	3	4	5	6	7	
2. I was able to answer all the questions without much difficulty.....	1	2	3	4	5	6	7	
3. I was not able to recollect the initial offer by the resource.....	1	2	3	4	5	6	7	
4. I was not able to recollect my initial offer to the resource.....	1	2	3	4	5	6	7	
5. I had difficulty recalling the messages that were sent by both parties.....	1	2	3	4	5	6	7	
6. I had difficulty answering questions about the messages sent by both parties.....	1	2	3	4	5	6	7	

We thank you very much for participating in this study. We will be sending you a copy of our executive summary in a couple of months.

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BIOGRAPHICAL SKETCH

Shankar Ganesan was born in Pattukkottai, a small town in the southern part of India. After schooling stints in New Delhi, Ahmedabad, and Calcutta, he embarked on an engineering career. Amidst the confusion created by machine design, thermodynamics and theory of machines, his thoughts began to wander and he began to question the marketability of such machines. His questions soon led him to the world of marketing and selling. His initial stints in this direction were in Ambalal Sarabhai Enterprises where he ended up selling packaging machines. Pretty soon his interests in marketing grew and led him to join the MBA program at the Indian Institute of Management, Bangalore. After graduation he continued in the field of marketing, specifically computers, in Bangalore. The tremendous competition and the inability to accurately predict a successful sale provided the major impetus for doing a doctorate in marketing. This dissertation is clearly an offshoot of the tough times he had bargaining with his customers in Bangalore, India. Suffice to say, he is still struggling with the intricacies of negotiations.

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Doctor of Philosophy.

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This dissertation was submitted to the Graduate Faculty of the Department of Marketing in the College of Business Administration and to the Graduate School and was accepted as partial fulfillment of the requirements for the degree of Doctor of Philosophy.

May, 1991

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